

**STATE OF NEW MEXICO  
City of Truth or  
Consequences  
ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

**Official Roster**

**June 30, 2020**

<b><u>Title</u></b>	<b><u>Name</u></b>
City Commissioner/Mayor.....	Sandy Whitehead
Mayor Pro-Tem.....	Brendan Tolley
City Commissioner.....	Randall Aragon
City Commissioner.....	Paul Baca
City Commissioner.....	Amanda Forrister
City Manager.....	Morris Madrid
Finance Director.....	Carol Kirkpatrick
City Clerk .....	Angela A. Torres
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, 2020, 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

### OFFICE LOCATIONS

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NEW MEXICO | Albuquerque



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, 2020, 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 Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards and 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 14, 2020 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 14, 2020

## **BASIC FINANCIAL STATEMENT**



STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
STATEMENT OF NET POSITION  
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash, investments and cash equivalents	\$ 3,701,028	4,943,556	8,644,584	1,089,443
Investments	701,092	3,428,465	4,129,557	362,470
Receivables:				
Property taxes	45,316	-	45,316	-
Other taxes	859,839	-	859,839	-
Charges for services, net	-	473,759	473,759	-
Due from other governments	352,762	45,316	398,078	46,645
Notes receivable	-	-	-	93,146
Prepaid expenses	-	-	-	24,623
Due from tenants	-	-	-	7,246
Inventory	132,802	764,975	897,777	20,258
Total current assets	5,792,839	9,656,071	15,448,910	1,643,831
Noncurrent assets				
Restricted cash and cash equivalents	1,610,194	286,854	1,897,048	218,065
Capital assets	21,642,959	40,553,892	62,196,851	9,225,525
Less: Accumulated depreciation	(10,847,853)	(12,951,517)	(23,799,370)	(6,039,927)
Total noncurrent assets	12,405,300	27,889,229	40,294,529	3,403,663
Total assets	18,198,139	37,545,300	55,743,439	5,047,494
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	1,154,574	297,193	1,451,767	307,760
Deferred Outflows - OPEB	70,383	44,999	115,382	42,947
Total deferred outflows	1,224,957	342,192	1,567,149	350,707

See Notes to Financial Statements.

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2020

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	159,910	1,006,690	1,166,600	27,836
Accrued payroll expenses	70,292	50,749	121,041	40,022
Accrued interest	13,370	13,399	26,769	-
Tenant deposit	-	-	-	34,875
Customer deposits	-	258,388	258,388	-
FSS deposits	-	-	-	67,829
Other liabilities	-	-	-	21,734
Due within one year				
Bonds, notes and loans payable	403,848	442,830	846,678	43,218
Compensated absences	60,333	37,600	97,933	28,962
<b>Total current liabilities</b>	<u>707,753</u>	<u>1,809,656</u>	<u>2,517,409</u>	<u>264,476</u>
Due in more than one year				
Bonds, notes and loans payable	3,390,011	2,897,673	6,287,684	684,690
Compensated absences	120,666	75,199	195,865	-
Accrued landfill closure costs	-	828,193	828,193	-
Net Pension Liability	5,392,578	1,544,280	6,936,858	1,590,886
Net OPEB Liability	1,472,118	941,192	2,413,310	485,385
<b>Total noncurrent liabilities</b>	<u>10,375,373</u>	<u>6,286,537</u>	<u>16,661,910</u>	<u>2,760,961</u>
<b>Total liabilities</b>	<u>11,083,126</u>	<u>8,096,193</u>	<u>19,179,319</u>	<u>3,025,437</u>
DEFERRED INFLOWS				
Deferred Inflows - Pension	351,216	88,580	439,796	44,994
Deferred Inflows - OPEB	1,001,522	640,315	1,641,837	285,128
<b>Total deferred inflows</b>	<u>1,352,738</u>	<u>728,895</u>	<u>2,081,633</u>	<u>330,122</u>
NET POSITION				
Net investment in capital assets	7,001,247	24,261,872	31,263,119	2,457,690
Restricted for				
Special projects	2,533,337	-	2,533,337	-
Debt service	2,395,970	442,830	2,838,800	-
Capital outlay	417,315	-	417,315	-
Housing assistance payments	-	-	-	74,942
Committed To				
Subsequent year's expenditures	471,103	-	471,103	-
Unrestricted (Deficit)	(5,831,740)	4,357,702	(1,474,038)	(489,990)
<b>Total net position</b>	<u>\$ 6,987,232</u>	<u>29,062,404</u>	<u>36,049,636</u>	<u>2,042,642</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

					Net (Expense) Revenue and Changes in Net Position			
		Program Revenues			Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary government								
Governmental activities								
General government	\$ 2,615,163	296,468	867,854	60,732	(1,390,109)	-	(1,390,109)	-
Public safety	2,188,808	69,883	340,000	97,877	(1,681,048)	-	(1,681,048)	-
Public works	1,107,649	-	-	-	(1,107,649)	-	(1,107,649)	-
Culture and recreation	736,789	8,678	18,454	-	(709,657)	-	(709,657)	-
Health and welfare	170,366	-	-	-	(170,366)	-	(170,366)	-
Capital Outlay	478,270	-	-	-	(478,270)	-	(478,270)	-
Interest on long-term debt	34,586	-	-	-	(34,586)	-	(34,586)	-
Total governmental activities	7,331,632	375,029	1,226,308	158,609	(5,571,686)	-	(5,571,686)	-
Business-Type Activities								
Joint utility office	634,915	52,167	-	-	-	(582,748)	(582,748)	-
Electric	5,190,848	6,273,437	-	-	-	1,082,589	1,082,589	-
Water	1,261,158	875,759	442,375	-	-	56,976	56,976	-
WWTP	1,260,558	1,049,790	5,193,344	-	-	4,982,576	4,982,576	-
Airport	373,565	129,701	5,652	-	-	(238,212)	(238,212)	-
Solid Waste	1,725,208	1,954,213	-	-	-	229,005	229,005	-
Impact Fees	-	12,600	-	-	-	12,600	12,600	-
Cemetery	11,250	8,530	-	-	-	(2,720)	(2,720)	-
Golf Course	272,171	3,429	-	-	-	(268,742)	(268,742)	-
Total business-type activities	10,729,673	10,359,626	5,641,371	-	-	5,271,324	5,271,324	-
Total primary government	\$ 18,061,305	10,734,655	6,867,679	158,609	(5,571,686)	5,271,324	(300,362)	-
Component Unit								
Housing Authority	\$ 2,290,580	585,856	1,655,091	-	-	-	-	(49,633)
General revenues and transfers								
Taxes								
Property taxes					\$ 211,956	-	211,956	-
Gross receipts tax					4,488,964	672,470	5,161,434	-
Gasoline and motor vehicle taxes					90,248	-	90,248	-
Other taxes					380,199	-	380,199	-
Miscellaneous revenue					47,450	1,096,588	1,144,038	35,728
Transfers					1,063,264	(1,063,264)	-	-
Unrestricted investment earnings					25,289	40,179	65,468	(76,661)
Gain (loss) on disposition of assets					-	-	-	(514)
Total general revenues and transfers					6,307,370	745,973	7,053,343	(41,447)
Change in net position					735,684	6,017,297	6,752,981	(91,080)
Net Position - beginning					6,251,548	23,045,107	29,296,655	2,133,722
Net position, ending					\$ 6,987,232	29,062,404	36,049,636	2,042,642

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2020**

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, investments and cash equivalents	\$ 1,103,534	113,798	2,410,668	3,628,000
Restricted cash and cash equivalents	-	1,610,194	-	1,610,194
Investments	105,897	595,195	-	701,092
Receivables:				
Property taxes	45,316	-	-	45,316
Other taxes	626,444	76,783	156,612	859,839
Due from other governments	99,140	-	-	99,140
Miscellaneous receivables	6,029	-	247,593	253,622
Inventory	84,749	-	48,053	132,802
<b>Total assets</b>	<b>\$ 2,071,109</b>	<b>2,395,970</b>	<b>2,862,926</b>	<b>7,330,005</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 139,561	-	20,349	159,910
Accrued payroll expenses	68,909	-	1,383	70,292
<b>Total liabilities</b>	<b>208,470</b>	<b>-</b>	<b>21,732</b>	<b>230,202</b>
<b>DEFERRED INFLOWS</b>				
Property taxes	35,062	-	-	35,062
<b>Total deferred inflows</b>	<b>35,062</b>	<b>-</b>	<b>-</b>	<b>35,062</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	84,749	-	48,053	132,802
Restricted to:				
Public safety	-	-	450,111	450,111
Culture and recreation	-	-	494,448	494,448
Transportation and roads	-	-	648,331	648,331
Fire protection	-	-	919,620	919,620
Veteran's Wall	-	-	20,827	20,827
Debt service expenditures	-	2,395,970	-	2,395,970
Capital projects	157,511	-	259,804	417,315
Committed to:				
Subsequent year's expenditures	471,103	-	-	471,103
Unassigned	1,114,214	-	-	1,114,214
<b>Total fund balances</b>	<b>1,827,577</b>	<b>2,395,970</b>	<b>2,841,194</b>	<b>7,064,741</b>
<b>Total liabilities, deferred inflows     and fund balances</b>	<b>\$ 2,071,109</b>	<b>2,395,970</b>	<b>2,862,926</b>	<b>7,330,005</b>

*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, 2020**

**Total Fund Balance Governmental Funds**  
**Governmental Funds Balance Sheet**

**Governmental**  
**Activities**

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

Fund balances - total governmental funds	\$ 7,064,741
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Residual balance of Internal Service Funds are included within the governmental activities but not reported within the governmental funds.	73,028
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,795,106
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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.	35,062
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Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,224,957
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Defined benefit pension plan and other post employment benefit deferred inflows are not financial resources and, therefore, are not reported in the funds.	(1,352,738)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest	(13,370)
Compensated absences	(180,999)
Bonds and notes payable	(3,793,859)
Net Pension liability	(5,392,578)
Net OPEB Liability	(1,472,118)

<b>Total long-term and other liabilities</b>	<b>(10,852,924)</b>
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<b>Net position of governmental activities (Statement of Net Position)</b>	<b>\$ 6,987,232</b>
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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, 2020**

	General Fund 100	Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Property	\$ 184,298	\$ -	\$ -	\$ 184,298
Gross receipts	3,630,671	440,267	418,026	4,488,964
Gasoline and motor vehicle	-	-	90,248	90,248
Other	116,338	-	263,861	380,199
Intergovernmental				
Federal capital grants	37,700	-	97,877	135,577
State capital grants	-	23,032	-	23,032
State operating grants	619,329	-	606,979	1,226,308
Charges for services	101,526	-	139,370	240,896
Licenses and fees	134,133	-	-	134,133
Investment income	2,661	21,485	1,143	25,289
Miscellaneous	43,301	-	4,149	47,450
<b>Total revenues</b>	<b>4,869,957</b>	<b>484,784</b>	<b>1,621,653</b>	<b>6,976,394</b>
<b>Expenditures</b>				
Current				
General government	2,148,504	129,647	179,567	2,457,718
Public safety	1,976,425	-	108,137	2,084,562
Public works	723,076	-	331,819	1,054,895
Culture and recreation	512,856	-	188,842	701,698
Health and welfare	162,252	-	-	162,252
Capital outlay	157,511	-	525,038	682,549
Debt service				-
Principal	-	1,861,655	-	1,861,655
Interest	-	40,521	-	40,521
<b>Total expenditures</b>	<b>5,680,624</b>	<b>2,031,823</b>	<b>1,333,403</b>	<b>9,045,850</b>
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	(810,667)	(1,547,039)	288,250	(2,069,456)
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	2,475,799	-	2,475,799
Transfers, in	1,793,399	936,601	772,442	3,502,442
Transfers, out	(978,787)	(860,373)	(600,018)	(2,439,178)
<b>Total other financing sources (uses)</b>	<b>814,612</b>	<b>2,552,027</b>	<b>172,424</b>	<b>3,539,063</b>
<b>Net change in fund balances</b>	<b>3,945</b>	<b>1,004,988</b>	<b>460,674</b>	<b>1,469,607</b>
Fund balances, beginning of year	1,823,632	1,390,982	2,380,520	5,595,134
<b>Fund balances, end of year</b>	<b>\$ 1,827,577</b>	<b>\$ 2,395,970</b>	<b>\$ 2,841,194</b>	<b>\$ 7,064,741</b>

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, 2020

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

\$ 1,469,607

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

Change in net position of internal service funds (2,538)

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	204,279	
Transfers and deletions	23,304	
Depreciation expense	(429,133)	
		(201,550)

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 27,658

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	(500,875)
OPEB expense	583,592

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	(614,298)
Change in compensated absences	(33,512)
Change in accrued interest on long-term debt	7,600

**Change in net position in governmental activities**

\$ 735,684

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**CITY OF TRUTH OR CONSEQUENCES**  
**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (GAAP BASIS)**  
**GENERAL FUND**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 171,500	174,500	182,332	7,832
Gross Receipts	3,097,000	3,789,434	3,711,687	(77,747)
Other	87,300	87,300	105,989	18,689
Intergovernmental income:				
State operating grant	542,070	678,072	598,709	(79,363)
Charges for services	86,000	105,038	100,097	(4,941)
Licenses and fees	39,100	89,945	126,346	36,401
Fines and forfeits	6,000	6,000	5,382	(618)
Investment earnings	1,800	2,724	5,656	2,932
Miscellaneous	3,000	41,036	43,271	2,235
<b>Total revenues</b>	<b>4,033,770</b>	<b>4,974,049</b>	<b>4,879,469</b>	<b>(94,580)</b>
Expenditures				
Current				
General government	1,731,778	2,177,135	2,077,870	99,265
Public safety	2,100,956	2,104,186	1,942,568	161,618
Public works	875,257	875,257	710,161	165,096
Culture and recreation	612,722	688,252	502,304	185,948
Health and welfare	230,521	230,521	134,399	96,122
Capital Outlay	102,000	102,000	101,987	13
<b>Total expenditures</b>	<b>5,653,234</b>	<b>6,177,351</b>	<b>5,469,289</b>	<b>708,062</b>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(1,619,464)</u>	<u>(1,203,302)</u>	<u>(589,820)</u>	<u>613,482</u>
Other Financing Sources (Uses)				
Transfers, in	1,734,947	2,034,966	1,793,399	(241,567)
Transfers, out	<u>(627,627)</u>	<u>(1,097,627)</u>	<u>(978,787)</u>	<u>118,840</u>
<b>Total other financing     sources (uses)</b>	<b>1,107,320</b>	<b>937,339</b>	<b>814,612</b>	<b>(122,727)</b>
<b>Net change in fund balances</b>	<b><u>(512,144)</u></b>	<b><u>(265,963)</u></b>	<b>224,792</b>	<b><u>490,755</u></b>
Net change in fund balance (non-GAAP budgetary basis)			224,792	
Adjustments to revenues			(9,513)	
Adjustments to expenditures			<u>(211,334)</u>	
Net change in fund balance (GAAP)			<b>\$ 3,945</b>	

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, 2020

ASSETS	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Current Assets				
Cash and cash equivalents	\$ 818,123	938,331	1,190,450	648,432
Investments	1,041,753	1,441,393	274,487	104,178
Receivables				
Charges for services	-	227,102	53,797	64,433
Due from other government	-	4,872	-	23,259
Miscellaneous receivables	-	-	-	-
Due from other funds	33,815	17,739	-	-
Inventory	-	418,390	149,597	58,870
<b>Total current assets</b>	<b>1,893,691</b>	<b>3,047,827</b>	<b>1,668,331</b>	<b>899,172</b>
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	161,431	-
Restricted investment	-	-	-	-
Capital assets	164,856	5,782,315	4,718,815	18,054,347
Less accumulated depreciation	(39,439)	(3,179,119)	(1,870,456)	(3,745,180)
<b>Total noncurrent assets</b>	<b>125,417</b>	<b>2,603,196</b>	<b>3,009,790</b>	<b>14,309,167</b>
<b>Total assets</b>	<b>2,019,108</b>	<b>5,651,023</b>	<b>4,678,121</b>	<b>15,208,339</b>
<b>DEFERRED OUTFLOWS - PENSION RELATED</b>	49,949	61,134	35,446	42,399
<b>DEFERRED OUTFLOWS - OPEB RELATED</b>	7,566	9,304	4,742	7,117
<b>Total Deferred Outflows</b>	<b>57,515</b>	<b>70,438</b>	<b>40,188</b>	<b>49,516</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	3,580	391,552	465,743	48,781
Accrued payroll expenses	6,320	11,793	5,225	8,002
Accrued compensated absences	4,284	14,825	2,939	6,391
Customer deposits	1,450	240,096	15,368	1,114
Accrued interest	-	-	13,399	-
Due to other funds	-	-	18,165	5,650
Current portion of long-term debt	-	-	271,816	76,014
<b>Total current liabilities</b>	<b>15,634</b>	<b>658,266</b>	<b>792,655</b>	<b>145,952</b>
Non-Current Liabilities				
Accrued compensated absences	8,566	29,650	5,879	12,782
Accrued landfill closure costs	-	-	-	-
Bonds, notes and loans	-	-	683,873	1,693,800
Net pension liability	259,546	317,666	184,185	220,314
Net OPEB Liability	158,247	194,597	99,175	148,863
<b>Total non-current liabilities</b>	<b>426,359</b>	<b>541,913</b>	<b>973,112</b>	<b>2,075,759</b>
<b>Total liabilities</b>	<b>441,993</b>	<b>1,200,179</b>	<b>1,765,767</b>	<b>2,221,711</b>
<b>DEFERRED INFLOWS - PENSION RELATED</b>	14,888	18,221	10,565	12,637
<b>DEFERRED INFLOWS - OPEB RELATED</b>	107,659	132,389	67,471	101,275
<b>Total deferred inflows</b>	<b>122,547</b>	<b>150,610</b>	<b>78,036</b>	<b>113,912</b>
<b>NET POSITION</b>				
Net investment in capital assets	125,417	2,603,196	1,892,670	12,539,353
Restricted for debt service	-	-	271,816	76,014
Unrestricted (Deficit)	1,386,666	1,767,476	710,020	306,865
<b>Total net position</b>	<b>1,512,083</b>	<b>4,370,672</b>	<b>2,874,506</b>	<b>12,922,232</b>
<b>Total net position</b>	<b>\$ 1,512,083</b>	<b>4,370,672</b>	<b>2,874,506</b>	<b>12,922,232</b>

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	
29,985	1,261,361	3,992	\$ 52,882	4,943,556	\$ 73,028	
-	465,193	101,461	-	3,428,465	-	
52,002	76,425	-	-	473,759	-	
910	429	-	-	29,470	-	
-	15,846	-	-	15,846	-	
-	-	-	-	51,554	-	
102,371	35,747	-	-	764,975	-	
185,268	1,855,001	105,453	52,882	9,707,625	73,028	
-	-	125,423	-	286,854	-	
-	-	-	-	-	-	
6,270,626	4,360,573	-	1,202,360	40,553,892	-	
(1,594,303)	(2,064,975)	-	(458,045)	(12,951,517)	-	
4,676,323	2,295,598	125,423	744,315	27,889,229	-	
4,861,591	4,150,599	230,876	797,197	37,596,854	73,028	
16,926	82,786	-	8,553	297,193	-	
2,569	12,554	-	1,147	44,999	-	
19,495	95,340	-	9,700	342,192	-	
1,162	89,568	-	6,304	1,006,690	-	
3,337	12,126	-	3,946	50,749	-	
1,530	6,730	-	901	37,600	-	
-	360	-	-	258,388	-	
-	-	-	-	13,399	-	
3,604	24,135	-	-	51,554	-	
-	95,000	-	-	442,830	-	
9,633	227,919	-	11,151	1,861,210	-	
3,060	13,459	-	1,803	75,199	-	
-	828,193	-	-	828,193	-	
-	520,000	-	-	2,897,673	-	
87,953	430,175	-	44,441	1,544,280	-	
53,732	262,583	-	23,995	941,192	-	
144,745	2,054,410	-	70,239	6,286,537	-	
154,378	2,282,329	-	81,390	8,147,747	-	
5,045	24,675	-	2,549	88,580	-	
36,555	178,642	-	16,324	640,315	-	
41,600	203,317	-	18,873	728,895	-	
4,676,323	1,680,598	-	744,315	24,261,872	-	
-	95,000	-	-	442,830	-	
8,785	(15,305)	230,876	(37,681)	4,357,702	73,028	
4,685,108	1,760,293	230,876	706,634	29,062,404	73,028	
4,685,108	1,760,293	230,876	\$ 706,634	29,062,404	\$ 73,028	

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUNDS  
Year Ended June 30, 2020

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Operating Revenues				
Charges for Services	\$ 52,167	6,273,437	875,759	1,049,790
<b>Total operating revenues</b>	<u>52,167</u>	<u>6,273,437</u>	<u>875,759</u>	<u>1,049,790</u>
Operating Expenses				
General operating	114,503	4,195,242	711,636	482,938
Personnel services	512,117	472,907	251,599	391,314
Depreciation	4,224	197,265	101,923	229,199
Utilities	4,071	325,434	128,289	137,622
<b>Total operating expenses</b>	<u>634,915</u>	<u>5,190,848</u>	<u>1,193,447</u>	<u>1,241,073</u>
Operation income (loss)	<u>(582,748)</u>	<u>1,082,589</u>	<u>(317,688)</u>	<u>(191,283)</u>
Non-Operating Revenues (Expenses)				
Interest expense	-	-	(67,711)	(19,485)
Investment earnings	8,612	17,072	5,604	658
Gross receipts tax	-	419,277	38,432	46,877
Miscellaneous income	-	169,194	-	894,232
Grant income	-	-	442,375	5,193,344
<b>Total non-operating revenue (expenses)</b>	<u>8,612</u>	<u>605,543</u>	<u>418,700</u>	<u>6,115,626</u>
Income (loss) before contributions and transfers	<u>(574,136)</u>	<u>1,688,132</u>	<u>101,012</u>	<u>5,924,343</u>
Transfers, in	438,961	662,868	900,334	6,212,507
Transfers, out	<u>-</u>	<u>(2,132,186)</u>	<u>(954,036)</u>	<u>(6,231,109)</u>
<b>Change in net position</b>	<u>(135,175)</u>	<u>218,814</u>	<u>47,310</u>	<u>5,905,741</u>
Net Position, beginning	<u>1,647,258</u>	<u>4,151,858</u>	<u>2,827,196</u>	<u>7,016,491</u>
<b>Net position, end of year</b>	<u>\$ 1,512,083</u>	<u>4,370,672</u>	<u>2,874,506</u>	<u>12,922,232</u>

See Notes to Financial Statements.

Airport Fund 509	Solid Waste Fund 505/507	Business Type Activities		Total	Governmental Activities Internal Service Fund 600
		Impact Fees 301	Other Enterprise Fund		
129,701	1,954,213	12,600	11,959	\$ 10,359,626	\$ 7,915
129,701	1,954,213	12,600	11,959	10,359,626	7,915
67,490	820,395	-	68,647	6,460,851	10,453
171,823	746,031	-	187,681	2,733,472	-
122,571	90,112	-	6,868	752,162	-
11,681	40,822	-	20,225	668,144	-
373,565	1,697,360	-	283,421	10,614,629	10,453
(243,864)	256,853	12,600	(271,462)	(255,003)	(2,538)
-	(27,848)	-	-	(115,044)	-
28	7,751	416	38	40,179	-
-	167,884	-	-	672,470	-
-	-	-	33,167	1,096,593	-
5,652	-	-	-	5,641,371	-
5,680	147,787	416	33,205	7,335,569	-
(238,184)	404,640	13,016	(238,257)	7,080,566	(2,538)
284,125	787,068	-	120,000	9,405,863	-
(99,498)	(1,052,298)	-	-	(10,469,127)	-
(53,557)	139,410	13,016	(118,257)	6,017,302	(2,538)
4,738,665	1,620,883	217,860	824,891	23,045,102	75,566
4,685,108	1,760,293	230,876	706,634	\$ 29,062,404	\$ 73,028

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
Year Ended June 30, 2020

	Joint Utility Office	Electric	Water	WWTP
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 169,794	6,314,489	1,357,768	1,075,891
Cash paid for vendors and employees	(572,433)	(5,002,430)	(1,143,406)	(995,374)
<b>Net cash provided (used) by operating activities</b>	<b>(402,639)</b>	<b>1,312,059</b>	<b>214,362</b>	<b>80,517</b>
Cash flows from noncapital financing activities				
Government contributions	-	-	442,375	5,193,344
Gross receipts taxes	-	419,277	38,432	46,877
Miscellaneous income	-	169,194	-	894,232
Landfill closure costs	-	-	-	-
Transfers	438,961	(1,469,318)	(53,702)	(18,602)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>438,961</b>	<b>(880,847)</b>	<b>427,105</b>	<b>6,115,851</b>
Cash Flows from Investing Activities				
Purchases of investments	(5,206)	(16,592)	(961)	(520)
Interest on investments	8,612	17,072	5,604	(18,827)
<b>Net cash (used) provided by investing activities</b>	<b>3,406</b>	<b>480</b>	<b>4,643</b>	<b>(19,347)</b>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(356,462)	(73,050)	(5,526,062)
Capital contributions from governmental activities	-	-	-	-
Interest paid	-	-	(67,711)	-
Proceeds from issuance of long-term debt	-	-	-	-
Principal payments on bonds, loans and notes payable	-	(526,286)	167,440	(611,994)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>(882,748)</b>	<b>26,679</b>	<b>(6,138,056)</b>
Net increase (decrease) in cash and cash equivalents	39,728	(451,056)	672,789	38,965
Cash and cash equivalents, beginning of year	778,395	1,389,387	679,092	609,467
<b>Cash and cash equivalents, end of year</b>	<b>\$ 818,123</b>	<b>938,331</b>	<b>1,351,881</b>	<b>648,432</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (582,748)	1,082,589	(317,688)	(191,283)
Noncash items				
Depreciation expense	4,224	197,265	101,923	229,199
PERA pension plan expense	80,107	16,868	(4,059)	7,121
RHC OPEB plan expense	94,624	25,259	(23,337)	35,023
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	-	21,644	3,401	(32,671)
Inventory	-	-	-	-
Accounts payable	2,554	(8,257)	447,432	13,448
Accrued payroll expenses	6,320	3,386	5,225	8,002
Accrued compensated absences	(7,125)	(16,514)	1,465	9,047
Accrued landfill closure costs	-	-	-	-
Due to/from other funds	(595)	(12,865)	22	2,531
Meter deposits	-	2,684	(22)	100
<b>Net cash provided (used) by operating activities</b>	<b>\$ (402,639)</b>	<b>1,312,059</b>	<b>214,362</b>	<b>80,517</b>

See Notes to Financial Statements.

		Business Type Activities			Governmental Activities
Airport Fund	Solid Waste Fund	Impact Fees	Other Enterprise Fund	Total	Internal Service Fund
61,461	2,844,064	12,600	110,439	11,946,506	7,915
(229,041)	(2,486,850)	-	(284,648)	(10,714,182)	(10,453)
(167,580)	357,214	12,600	(174,209)	1,232,324	(2,538)
5,652	-	-	-	5,641,371	-
-	167,884	-	-	672,470	-
-	-	-	33,205	1,096,631	-
-	(52,842)	-	-	(52,842)	-
184,627	(265,230)	-	120,000	(1,063,264)	-
190,279	(150,188)	-	153,205	6,294,366	-
-	34,281	(356)	-	10,646	-
28	7,751	416	-	20,656	-
28	42,032	60	-	31,302	-
(99,498)	(155,089)	-	(9,342)	(6,219,503)	-
-	-	-	-	-	-
-	(27,848)	-	-	(95,559)	-
-	-	-	-	-	-
-	(90,000)	-	-	(1,060,840)	-
(99,498)	(272,937)	-	(9,342)	(7,375,902)	-
(76,771)	(23,879)	12,660	(30,346)	182,090	(2,538)
106,756	1,285,240	116,755	83,228	5,048,320	75,566
29,985	1,261,361	129,415	52,882	5,230,410	73,028
(243,864)	256,853	12,600	(271,462)	(255,003)	(2,538)
122,571	90,112	-	6,867	752,161	-
18,212	78,319	-	38,437	235,005	-
22,108	95,585	-	39,172	288,434	-
-	-	-	-	-	-
6,973	18,062	-	-	17,409	-
-	-	-	-	-	-
(99,252)	(157,222)	-	4,522	203,225	-
3,337	839,671	-	3,946	869,887	-
2,389	(20,176)	-	4,309	(26,605)	-
-	(855,151)	-	-	(855,151)	-
(54)	10,961	-	-	-	-
-	200	-	-	2,962	-
(167,580)	357,214	12,600	(174,209)	1,232,324	(2,538)

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**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 fees and charges for support.

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**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.



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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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June 30, 2020

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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June 30, 2020**

**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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**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.

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June 30, 2020

**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.

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**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 expended in the year incurred.

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

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

**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, 2020**

**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  
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June 30, 2020**

**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, 2020, 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, 2020.

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**  
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**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

As of June 30, 20, the City had the following deposits and investments:

Demand deposits	\$ 8,770,007
Certificates of deposit	2,752,489
State Treasurer's LGIP	1,377,068
Cash with fiscal Agent	<u>1,771,625</u>
<b>Total</b>	<b>\$ <u>14,671,189</u></b>
 Governmental funds	 \$ 6,012,314
Proprietary funds	<u>8,658,875</u>
 <b>Total</b>	 <b>\$ <u>14,671,189</u></b>

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, 2020. 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	[25] day WAM(R), [77] day WAM (F)	1,377,068	AAAM
		<u>\$ 1,377,068</u>	

\*Based off Moody's rating

In addition to the investment in LGIP above there are \$2,752,489 of certificates of deposit that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

**Interest Rate Risk.** The risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the Local Government Investment Pool. As of June 30, 2020 the LGIP WAM (R) was 25 days and WAM (F) was 77 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.

**STATE OF NEW MEXICO  
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June 30, 2020**

**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, 2020 the LGIP WAM (R) was 25 days and WAM (F) was 77 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, 2020, \$0 of the City's bank balances of \$11,797,791, was exposed to custodial credit risk. The collateral pledged is listed in the table of contents of this report and as listed below.

		<b>First Saving Bank</b>
<b>Deposits in Bank</b>		
Bank Deposits	\$	9,045,302
Certificates of Deposit		2,752,489
<b>Total on Deposit</b>		11,797,791
Less: FDIC insurance		(250,000)
<b>Total uninsured public funds</b>	\$	<u>11,547,791</u>
 Pledged Collateral Required: 50% on deposits	\$	5,773,895
 Pledged Collateral at June 30, 2020		<u>12,215,657</u>
<b>Excess (Deficiency)</b>	\$	<u>6,441,762</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, 2020, \$780,587 of the Housing Authority's bank balance of \$1,676,127 was exposed to custodial credit risk. Although the \$780,587 was uninsured, all of that amount was collateralized by collateral held by the pledging bank's trust department, not in the Housing Authority's name. None of the Housing Authority's deposits were uninsured and uncollateralized at June 30, 2020.

STATE OF NEW MEXICO  
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**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, 2020:

Investment in	Investment Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
New Mexico LGIP	\$ 1,377,068	-	-	1,377,068
Total	\$ 1,377,068	-	-	1,377,068

**STATE OF NEW MEXICO  
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**NOTE 4. RECEIVABLES**

Governmental receivables as of June 30, 2020 are as follows:

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Property taxes	\$ 45,316	-	-	45,316
Other taxes:				
Gross receipts taxes	612,033	76,783	126,754	815,570
Franchise and lodgers taxes	12,341	-	24,535	36,876
Gasoline taxes	-	-	5,323	5,323
MVD taxes	2,070	-	-	2,070
Grants receivables	99,140	-	247,593	346,733
Other receivables	6,029	-	-	6,029
<b>Total</b>	<b>\$ 776,929</b>	<b>76,783</b>	<b>404,205</b>	<b>1,257,917</b>

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

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue related to property taxes receivable was \$35,062 for the year ended June 30, 2020.

Proprietary fund receivables as of June 30, 2020 are as follows:

	<b>Major Enterprise Funds</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
Charges for services	\$ 1,166,281	-	1,166,281
Less: Allowance for uncollectible accounts	(692,522)	-	(692,522)
Other Receivables	45,316	-	45,316
<b>Totals</b>	<b>\$ 519,075</b>	<b>-</b>	<b>519,075</b>

**Component Unit**

As of June 30, 2020, the Housing Authority had the following receivables:

Tenant receivables	\$ 8,052
Allowance for doubtful accounts - tenants	(806)
Grants receivable	46,645
Notes receivable	93,146
<b>Total</b>	<b>\$ 147,037</b>

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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June 30, 2020**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

<b>Governmental Activities</b>	Balance June 30, 2019	Additions	Transfers	Deletions	Balance June 30, 2020
<b>Non-Depreciable Assets</b>					
Land	\$ 3,853,904	23,000	-	(32,220)	3,844,684
Construction in progress	-	-	-	-	-
<b>Total non-depreciable assets</b>	<b>3,853,904</b>	<b>23,000</b>	<b>-</b>	<b>(32,220)</b>	<b>3,844,684</b>
<b>Depreciable Assets</b>					
Buildings and improvements	9,349,795	-	-	-	9,349,795
Land Improvements	144,511	-	-	-	144,511
Equipment	2,488,238	55,852	-	-	2,544,090
Infrastructure	2,711,926	41,163	-	-	2,753,089
Vehicles	2,856,760	84,264	73,033	(7,267)	3,006,790
<b>Total depreciable assets</b>	<b>17,551,230</b>	<b>181,279</b>	<b>73,033</b>	<b>(7,267)</b>	<b>17,798,275</b>
<b>Accumulated Depreciation</b>					
Building and improvements	(5,254,905)	(157,070)	-	-	(5,411,975)
Land Improvements	(2,382)	(3,738)	-	-	(6,120)
Equipment	(2,113,926)	(53,467)	-	-	(2,167,393)
Infrastructure	(733,366)	(91,648)	-	-	(825,014)
Vehicles	(2,303,898)	(123,211)	(17,509)	7,267	(2,437,351)
<b>Total Accumulated Depreciation</b>	<b>(10,408,477)</b>	<b>(429,134)</b>	<b>(17,509)</b>	<b>7,267</b>	<b>(10,847,853)</b>
<b>Governmental Capital Assets, net</b>	<b>\$ 10,996,657</b>	<b>(224,855)</b>	<b>55,524</b>	<b>(32,220)</b>	<b>10,795,106</b>

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

<b>Governmental Activities:</b>	
General Government	\$ 161,183
Public safety	144,409
Public works	66,344
Public health and welfare	7,342
Culture and recreation	49,855
	<u>\$ 429,134</u>

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**NOTE 5. CAPITAL ASSETS (CONTINUED)**

<b>Business-Type Activities</b>	Balance June 30, 2019	Additions	Transfer	Deletions	Balance June 30, 2020
Non-depreciable assets:					
Land	\$ 2,623,071	-	-	-	2,623,071
Construction in progress	1,352,346	5,501,321	-	(58,339)	6,795,328
Total non-depreciable assets	3,975,417	5,501,321	-	(58,339)	9,418,399
Depreciable assets:					
Building improvements	4,992,895	99,497	-	-	5,092,392
Land Improvements	-	21,461	-	-	21,461
Utility plant	18,678,892	58,339	-	-	18,737,231
Equipment	4,161,180	353,112	-	(292,343)	4,221,949
Vehicles	3,071,717	352,474	(73,033)	(288,698)	3,062,460
Total depreciable assets	30,904,684	884,884	(73,033)	(581,041)	31,135,493
Accumulated depreciation:					
Land Improvements	-	(537)	-	-	(537)
Building and improvements	(1,515,683)	(100,940)	-	-	(1,616,623)
Utility plant	(5,587,509)	(452,591)	-	-	(6,040,100)
Equipment	(3,512,992)	(61,969)	-	292,343	(3,282,618)
Vehicles	(2,181,722)	(136,124)	17,509	288,698	(2,011,639)
Total accumulated depreciation	(12,797,906)	(752,161)	17,509	581,041	(12,951,517)
Business-type activities capital assets, net	\$ 22,082,195	5,634,043	(55,524)	(58,339)	27,602,375

Depreciation expense was charged to functions/programs of the business- type as follows:

<b>Business-Type Activities:</b>	
Joint Utility Fund	\$ 4,224
Electric	197,265
Water	101,923
WWTP	229,199
Airport	122,571
Solid Waste	90,112
Golf Course Fund	6,745
Cemetery Fund	122
	<u>\$ 752,162</u>

**STATE OF NEW MEXICO  
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June 30, 2020**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

The following summarizes changes in capital assets activity for the Authority during fiscal year 2020.

<b>Component Unit</b>	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2020</b>
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	-	-	(156,084)	637,536
Depreciable assets:					
Land improvements	768,214	18,849	-	(5,960)	793,023
Buildings and improvements	6,786,456	14,190	1,722	-	6,798,924
Dwelling equipment	283,328	7,090	5,035	150,124	435,507
Non-dwelling equipment	560,535	-	-	-	560,535
Total depreciable assets	8,398,533	40,129	6,757	156,084	8,587,989
Accumulated depreciation:					
Land improvements	594,441	25,665	-	-	620,106
Buildings and improvements	4,566,919	116,829	1,206	-	4,682,542
Dwelling equipment	219,238	10,454	5,037	-	224,655
Non-dwelling equipment	475,147	37,477	-	-	512,624
Total accumulated depreciation	5,855,745	190,425	6,243	-	6,039,927
Component unit capital assets, net	\$ 3,336,408	(150,296)	514	-	3,185,598

Depreciation expense for the year ended June 30, 2020 totaled \$190,425 for the Authority.

In the Financial Data Schedule, the Construction in Progress category contains \$245,616 in capital assets in service which are recorded in depreciating categories on the financial statements.

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**NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers and advances consisted of the following as of June 30, 2020:

**TRANSFERS**

<b>Governmental Funds</b>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,793,399	978,787
Debt Service	936,601	860,373
Corrections Fund	15,000	-
Lodgers Tax	-	90,000
Municipal Street	68,500	-
Recreation Fund	-	19,228
Municipal Pool	132,000	-
PD GRT	300,000	20,082
Veteran's Wall Perpetual	-	13,692
Senior Grants	243,250	68,170
CI Gen	-	67
Veterans Wall	13,692	-
R & R Emergency	-	62,438
CBDG	-	326,341
<b>Business-Type Funds</b>		
Joint Utility Office	438,961	-
Electric Fund	662,868	2,132,186
Water Fund	900,334	954,036
WWTP	6,212,507	6,231,109
Solid Waste Fund	787,068	1,052,298
Golf Course	120,000	-
Cemetery	-	-
Municipal Airport	284,125	99,498
<b>Net Transfers</b>	<u>\$ 12,908,305</u>	<u>12,908,305</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.



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**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, 2020 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, 2020, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020	Due Within One Year
Police Department					
Building	\$ 100,293	-	(13,761)	86,532	13,937
Recreational Loan	1,544,371	-	(1,544,371)	-	-
Streets Loan	1,310,665	-	(98,677)	1,211,998	101,835
NMFA Fire Pumper	120,399	-	(22,517)	97,882	22,882
Law Enforcement	103,833	-	(19,982)	83,851	21,016
Equipment					
Disadvantaged Funding		228,432	-	228,432	-
Infrastructure					
Infrastructure and IT		888,657	73,299	815,358	110,350
Refunding Recreational Loan		1,269,816	(88,894)	1,269,816	133,828
<b>Total Notes Payable</b>	<b>3,179,561</b>	<b>2,475,799</b>	<b>(1,861,501)</b>	<b>3,793,859</b>	<b>403,848</b>
Compensated Absences	147,488	247,532	(214,020)	180,999	60,333
<b>Total Long-term debt</b>	<b>\$ 3,327,049</b>	<b>2,723,331</b>	<b>(2,075,521)</b>	<b>3,974,858</b>	<b>464,181</b>

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. As of June 30, 2020, the City has an outstanding balance of \$86,532.

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June 30, 2020**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

On January 23, 2009, the City borrowed \$2,838,802 from the New Mexico Finance Authority. The note matures on May 1, 2029 and accrues interest at 1.60% to 5.29% 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 August 30, 2019 the City refunded this debt.

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 rates from .98% to 4.410% per annum. The proceeds of the loan were used for making improvements and repairs to the City's streets and drainage systems. 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. As of June 30, 2020, the City has an outstanding balance of \$1,211,998.

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 0.0071% per annum. The proceeds of the loan were used to acquire a Fire Pumper for use by the City's volunteer fire department. The payments of principal and interest are paid from an interception of the State Fire Marshalls allocation. As of June 30, 2020, the City has an outstanding balance of \$97,882.

On June 28, 2018, the City borrowed \$103,833 from the New Mexico Finance Authority. The note matures on July 1, 2029 and accrues interest at a rate of .099% per annum. The proceeds of the loan were used for acquiring law enforcement equipment. The payments of principal and interest are paid from pledged state shared gross receipts tax revenue. As of June 30, 2020, the City has an outstanding balance of \$83,851.

On August 30, 2019, the City issued \$2,475,799 bond par amount in state-shared gross receipts tax refunding bonds, PPRF-4968 to refund the series 2009 state shared gross receipts tax bonds, pay the cost of issuance and purchase IT equipment and Infrastructure. The associated debt was subsequently called on August 30, 2019. The true interest cost on the new bond series is 1.52% with a final maturity on May 1, 2029. The net present value savings resulting from this refunding is \$256,051. The difference in cash flow requirements to service the old debt of \$1,973,831 and the cash flows to service the debt of \$1,470,698 is \$503,133. The debt is secured through maturity by state shared gross receipts tax revenues. For the current year, principal and interest paid was \$162,193 and \$21,154, respectively. As of June 30, 2020, the City has an outstanding balance of \$228,358, \$815,358, and \$1,269,816 respectively.

The annual requirements to amortize the governmental activities debt as of June 30, 2020, including interest payments, are as follows:

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NOTE 7. LONG-TERM DEBT (CONTINUED)

Year Ending June, 30	Principal	Interest	Admin Fees	Total Requirements
2021	403,848	77,612	2,609	484,068
2022	415,905	70,831	2,336	489,072
2023	417,986	64,049	2,033	484,068
2024	425,179	56,847	1,732	483,757
2025	389,036	49,210	1,427	439,673
2026-2030	1,741,905	119,105	2,930	1,863,940
\$	<u>3,793,859</u>	<u>437,653</u>	<u>13,066</u>	<u>4,244,578</u>

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

Business-Type Activities

	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020	Due Within One Year
<b>Revenue Bonds</b>					
Series 2012 Solid Waste Revenue	\$ 705,000	-	(90,000)	615,000	95,000
Series 2015, Joint Utility System Revenue	866,000	-	(15,000)	851,000	16,000
<b>Total Revenue Bonds</b>	<u>1,571,000</u>	<u>-</u>	<u>(105,000)</u>	<u>1,466,000</u>	<u>111,000</u>
<b>Loans Payable</b>					
Water Tank Loan	231,557	-	(114,304)	117,253	117,253
Elec Upgrade Loan	526,286	-	(526,286)	-	-
NMFA	155,131	-	(12,751)	142,380	12,783
NMFA	107,732	-	(8,287)	99,445	8,287
NMFA TorC 19 (15%)	151,466	-	(9,059)	142,407	9,230
NMFA TorC 19 (85%)	858,309	-	(51,336)	806,973	52,301
PER/Asset Mgmt Plan	46,449	-	(3,264)	43,185	3,272
Waste Water Project Design/Construction Phase 2	57,691	-	(3,846)	53,845	3,846
	61,863	-	(3,867)	57,996	3,867
NMED	95,916	-	(95,916)	-	-
NMFA	-	500,318	(89,299)	411,019	120,991
Cobank Debt	537,945	-	(537,945)	-	-
<b>Total Loans Payable</b>	<u>2,830,345</u>	<u>500,318</u>	<u>(1,456,160)</u>	<u>1,874,503</u>	<u>331,830</u>
Compensated Absences	141,009	127,568	(155,778)	112,800	37,600
<b>Total Long-term debt</b>	<u>\$ 4,542,354</u>	<u>627,886</u>	<u>(1,716,938)</u>	<u>3,453,303</u>	<u>480,430</u>

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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**Revenue Bonds**

On February 3, 2012, the City issued solid waste revenue bond in the amount of \$1,260,000 for the construction of the solid waste collection center and purchase of any equipment necessary for optimal operation. The bond bears interest at 3.95% per annum and matures on June 1, 2026. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the joint utility system which includes revenues from the solid waste collection center.

On May 11, 2016, the City issued Joint Utility System Improvement Revenue Bonds, series 2015, in the principal amount of \$910,000 for the purpose of acquiring, extending, enlarging, bettering, repairing, or otherwise improving the wastewater system within the City's joint utility system. The bond bears interest at 2.25% per annum and matures on May 11, 2056. The payment of principal, premium, and interest thereon, whether at maturity or on a redemption date, are paid with net revenues derived from the operation of the City's joint utility system.

The annual requirements to amortize the revenue bonds as of June 30, 2020, including interest payments, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2021	111,000	43,440	154,440
2022	111,000	39,327	150,327
2023	116,000	35,215	151,215
2024	122,000	30,905	152,905
2025	127,000	26,375	153,375
2026-2030	201,000	86,874	287,874
2031-2035	101,000	71,841	172,841
2036-2040	114,000	59,893	173,893
2041-2045	127,000	46,528	173,528
2046-2050	142,000	31,566	173,566
2051-2055	158,000	14,871	172,871
2056	36,000	810	36,810
<b>Total</b>	<b>\$ 1,466,000</b>	<b>487,645</b>	<b>1,953,645</b>

**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 pledged net revenues from the City's water and sewer utility system. At June 30, 2020 the City has an outstanding balance of \$117,253.

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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

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  $\frac{1}{4}$  of 1%. The proceeds of the loan were used for rehabilitating ground storage tanks. The payments of principal and interest are paid from pledged net revenues from the City's water system. At June 30, 2020 the City has an outstanding balance of \$142,380.

On October 1, 2012, the City borrowed \$165,741 from the New Mexico Finance Authority. The note matures on May 1, 2032 and accrues interest at 0% interest rate per annum. The proceeds of the loan were used for water storage tanks for the City's water and sewer utility system. The payments of principal and interest are paid from pledged net revenues from the City's utility system. At June 30, 2020 the City has an outstanding balance of \$99,445.

On August 17, 2012, the City borrowed \$1,424,865 from the New Mexico Finance Authority. The note matures on May 1, 2033 and accrues interest at 3.00% per annum with an administrative fee component of  $\frac{1}{4}$  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 pledged net revenues from the City's utility system. At June 30, 2020 the City has an outstanding balance of \$949,380.

On March 21, 2014, the City borrowed \$64,000 from the New Mexico Finance Authority. The note matures on June 1, 2033 and accrues interest at 0% per annum and an administrative fee of  $\frac{1}{4}$  of 1%. The proceeds of the loan were used for storage, conveyance, or delivery of water to end users and included 2 planning reports. The payments of principal and administrative fees are paid from pledged net revenues from the City's utility system. At June 30, 2020 the City has an outstanding balance of \$43,185.

On June 26, 2015, the City borrowed \$75,000 from the New Mexico Finance Authority. The note matures on June 1, 2035 and accrues interest at 0% per annum. The proceeds of the loan were used for wastewater system improvements Phase II-A. The payments of principal and interest are paid from pledged net revenues from the City's utility system. At June 30, 2020 the City has an outstanding balance of \$53,845.

On January 8, 2016, the City borrowed \$75,000 from the New Mexico Finance Authority. The note matures on June 1, 2035 and accrues interest at 0% per annum. The proceeds of the loan were used for funding the local matching requirement of a Colonias Infrastructure Project to improve the City's wastewater system as part of Phase II-A. The payments of principal and interest are paid from pledged net revenues from the City's utility system. At June 30, 2020 the City has an outstanding balance of \$57,996.

On August 2, 2019 the City refinanced a note from the NMFA in the amount of \$500,318. The proceeds of the loan were used to refund the New Mexico Finance Authority loan no. PPRF-1704 and New Mexico environmental department loan no. RIP 95-16. The current year principal and interest paid was \$89,299 and \$5,261, respectively. The payments of principal and interest are paid from pledged net revenues from the City's Joint Utility System. At June 30, 2020 the City has an outstanding balance of \$411,019.

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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

The annual requirement to amortize the loan payables as of June 30, 2020, including interest payments, are as follows:

Year Ending June, 30	Principal	Interest	Admin Fees	Total Requirements
2021	\$ 331,830	38,021	684	370,535
2022	210,832	32,361	270	243,463
2023	180,056	25,278	154	205,488
2024	168,694	26,445	70	195,209
2025	120,246	23,502	-	143,748
2026-2030	533,675	84,840	-	618,515
2031-2035	329,170	19,953	-	348,123
	<u>\$ 1,874,503</u>	<u>249,400</u>	<u>1,178</u>	<u>2,125,081</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. Employees accrue hours based on the following schedule:

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

**Component Unit**

The following summarizes changes in long-term liability activity during fiscal year 2020:

	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020	Due Within One Year
USDA Loans Hacienda Orgullo #1	\$ 273,867	-	25,320	248,547	23,500
USDA Loans Hacienda Orgullo #2	84,307	-	6,968	77,339	7,349
USDA Loan Puesta Del Sol	410,047	-	8,025	402,022	12,369
Compensated absences	24,654	55,925	51,617	28,962	28,962
<b>Total Long-term debt</b>	<u>\$ 792,875</u>	<u>55,925</u>	<u>91,930</u>	<u>756,870</u>	<u>72,180</u>

**STATE OF NEW MEXICO  
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June 30, 2020**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

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

Compensated absences decreased by \$4,308 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, 2020
USDA Loan Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140	\$ 248,547
USDA Loan Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000	77,339
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788	402,022
Total Loans						<u>\$ 727,908</u>

Debt service requirements on long-term debt at June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
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	51,951	56,819	108,770
2025-2030	308,849	195,771	504,620
2031-2035	<u>182,254</u>	<u>43,837</u>	<u>226,091</u>
	<u>\$ 727,908</u>	<u>\$ 571,946</u>	<u>\$ 1,299,854</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.

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**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.

**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.



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**NOTE 10. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

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

The City is a participant in a *memorandum of understanding with the City of Truth or Consequences Housing Authority* wherein the City shall provide the following equipment and services to the Housing Authority; 1 recycling collection trailer with recycling 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.

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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 in effect during FY19						
	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
Coverage Plan						
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

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

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*** At June 30, 2020, the City reported a liability of \$6,936,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. 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, 2020, the City reported a liability of \$4,923,246 for its proportionate share of the net pension liability and the . At June 30, 2019, the City's proportion was .2844% percent, which was a decrease of 0.0206% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Division Municipal General Pension expense of \$848,761. At June 30, 2020, 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	\$ 147,608	53,258
Changes in assumptions	219,525	12,126
Net difference between projected and actual earnings on pension plan investments	165,900	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	89,120	217,016
City's contributions subsequent to the measurement date	325,317	-
Total	\$ <u>947,470</u>	<u>282,400</u>

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

\$325,317 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, 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:

Year ended June 30:		
2021	\$	216,794
2022		81,688
2023		13,976
2024		27,295
2025		-
Thereafter		-

***For PERA Fund Division Municipal Police***, at June 30, 2019, the City reported a liability of \$2,013,612 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was 0.2726% percent, which was a decrease of 0.0277% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund Division Municipal Police pension expense of \$319,284. At June 30, 2020, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 84,123	85,777
Changes in assumptions	114,217	5,123
Net difference between projected and actual earnings on pension plan investments	62,879	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	136,228	66,496
City's contributions subsequent to the measurement date	106,850	-
<b>Total</b>	<b>\$ 504,297</b>	<b>157,396</b>

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

\$106,850 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2019 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:

Year ended June 30:		
2021	\$	80,423
2022		80,094
2023		69,216
2024		10,318
2025		-
Thereafter		-

**Component Unit**

**For PERA Fund Municipal General Division**, at June 30, 2019, the Truth or Consequences Housing Authority reported a liability of \$1,590,886 for its proportionate share of the net pension liability. At June 30, 2020, the Housing Authority's proportion was 0.0919% percent, which was a decrease of 0.0943% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Truth or Consequences Housing Authority recognized PERA Fund Municipal General Division pension expense of \$318,796. At June 30, 2020, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 47,698	17,207
Changes in assumptions	70,937	3,915
Net difference between projected and actual earnings on pension plan investments	53,608	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	54,115	23,872
Authority's contributions subsequent to the measurement date	81,402	-
Total	<u>\$ 307,760</u>	<u>44,994</u>

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

\$81,402 reported as deferred outflows of resources related to pensions resulting from the Housing Authority's contributions subsequent to the measurement date June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:		
2021	\$	112,351
2022		42,414
2023		17,772
2024		8,827
2025		-
Thereafter		-

**Actuarial assumptions:** The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
Investment rate of return	7.25% 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	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPD-2014 Blue Collar mortality table with female ages set forward one 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, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board use in the June 30, 2018 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	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	20.0%	6.48%
Multi-Risk Allocation	1.30%	
Total	100.0%	

**Discount rate:** A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. 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:

**PERA Fund Division Municipal General**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 7,446,114	4,923,246	2,835,912



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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	\$ 3,047,234	2,013,612	1,170,371

**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, 2020 the City had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2020.

**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	\$ 2,406,110	1,590,886	916,386

**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, 2020, amounts due to PERA from the Authority totaled \$7,915.

**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,

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

as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

**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, 2019, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	<u>154,177</u>
Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal fire	1,966
Educational Retirement Board	49,492
	<u>91,082</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, 2020.

**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

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

employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Authority were \$ 13,237 for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$2,413,310 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the City's proportion was 0.07443 percent.

For the year ended June 30, 2020, the City recognized OPEB income of \$223,082. At June 30, 2020 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	\$ -	607,311
Changes in assumptions	-	778,900
Change in proportion	44,862	233,188
Net difference between projected and actual earnings on OPEB plan investments	-	22,438
Employer contributions subsequent to the measurement date	70,520	-
<b>Total</b>	<b>\$ 115,382</b>	<b>1,641,837</b>

Deferred outflows of resources totaling \$70,520 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Year ended June 30:		
2021	\$	(419,656)
2022		(419,656)
2023		(371,266)
2024		(245,309)
2025		(141,088)
Total	\$	<u>(1,596,975)</u>

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

At June 30, 2020, the Authority reported a liability of \$485,385 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2020, the Authority's proportion was 0.01497 percent.

For the year ended June 30, 2020, the Authority recognized OPEB income of \$31,261. At June 30, 2020 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	\$ -	122,149
Changes in assumptions	-	156,658
Changes in proportions	29,710	1,809
Net difference between projected and actual earnings on OPEB plan investments	-	4,512
Employer contributions subsequent to the measurement date	13,237	-
<b>Total</b>	<b>\$ <u>42,947</u></b>	<b><u>285,128</u></b>

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Deferred outflows of resources totaling \$13,237 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, 2021. 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:		
2021	\$	(70,806)
2022		(70,806)
2023		(61,073)
2024		(34,926)
2025		(17,807)
Total	\$	<u>(255,418)</u>

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

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 13.50% 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.

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**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:

<b>Asset Class</b>	<b>Long-Term Rate of Return</b>
U.S. core fixed income	20%
U.S. equity – large cap	20
Non U.S. – emerging markets	15
Non U.S. – developed equities	12
Private equity	10
Credit and structured finance	10
Real estate	5
Absolute return	5
U.S. equity – small/mid cap	3

**Discount Rate** – The discount rate used to measure the Fund’s total OPEB liability is 4.16% 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, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used, resulting in a blended discount rate of 4.16%.

***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 (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate; percent) than the current discount rate:

<b>1% Decrease (3.16%)</b>	<b>Current Discount Rate (4.16%)</b>	<b>1% Increase (5.16%)</b>
\$ <u>2,952,060</u>	<u>2,413,310</u>	<u>1,989,802</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:

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>2,009,236</u>	<u>2,413,310</u>	<u>2,736,828</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, 2020, 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 (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate; percent) than the current discount rate:

	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
\$	<u>593,744</u>	<u>485,385</u>	<u>400,206</u>

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

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>404,115</u>	<u>485,385</u>	<u>550,454</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, 2020, the Authority reported a payable of \$806 for outstanding contributions due to NMRHCA for the year ended June 30, 2020.

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**NOTE 13. LANDFILL CLOSURE AND POST-CLOSURE CARE**

The City stopped accepting solid waste at its landfill and placed the final cap in 2016. State and federal laws and regulations required the City to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. There is a liability of \$828,193.

Fund as an estimate of the landfill post-closure care costs. However, due to changes in technology, laws or regulations, these costs may change in the future.

**NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued May 2020 and is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018 and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

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

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB Statement 90, *Majority Equity Interests*

GASB Statement 91, *Conduit Debt Obligations*

GASB Statement 92, *Omnibus 2020*

GASB Statement 93, *Replacement of Interbank Offered Rates*

The effective date of GASB Statement No. 87, *Leases*, is postponed by 18 months.

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2020.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*



**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

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*.

GASB Statement No. 92, *Omnibus 2020*

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

GASB Statement No. 95, *Subscription-Based Information Technology Arrangements*

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

**NOTE 16. 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, 2020.

**NOTE 17. SUBSEQUENT EVENTS**

Events subsequent to June 30, 2020 have been evaluated by management through December 14, 2020, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2020 require adjustment or disclosure in the financial statement.

**NOTE 18. COVID-19**

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to cause market fluctuations. Business continuity and financial markets, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

## **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, 2020

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

	30-Jun					
Fiscal Year	2020	2019	2018	2017	2016	2015
Measurement Date	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)						
Municipal General	0.2844%	0.3050%	0.2907%	0.2954%	0.2908%	0.3329%
Municipal Police	0.2726%	0.2449%	0.2673%	0.2561%	0.2958%	0.2904%
Component Unit - Municipal General	0.0919%	0.0943%	0.0892%	0.0806%	0.0782%	0.0982%
City's Proportionate Share of Net Pension Liability (Asset)						
Municipal General	\$ 4,923,246	4,862,829	3,994,463	4,719,498	2,964,958	2,596,977
Municipal Police	2,013,612	1,670,963	1,485,027	1,889,582	1,396,406	964,276
Component Unit - Municipal General	1,590,886	1,503,496	1,225,684	1,287,717	797,317	766,065
	<u>\$ 8,527,744</u>	<u>8,037,288</u>	<u>6,705,174</u>	<u>7,896,797</u>	<u>5,158,681</u>	<u>4,327,318</u>
City's Covered-Employee Payroll						
Municipal General	\$ 3,319,561	2,595,131	2,861,475	2,550,738	2,246,083	2,439,725
Municipal Police	557,963	607,558	537,439	550,728	838,111	934,075
Component Unit - Municipal General	664,249	631,912	617,593	615,593	571,154	605,461
	<u>\$ 4,541,773</u>	<u>3,834,601</u>	<u>4,016,507</u>	<u>3,717,059</u>	<u>3,655,348</u>	<u>3,979,261</u>
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll						
Municipal General	148.31%	187.38%	139.59%	185.02%	132.01%	106.45%
Municipal Police	360.89%	275.03%	276.32%	343.11%	166.61%	103.23%
Component Unit - Municipal General	239.50%	237.93%	198.46%	209.18%	139.60%	126.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability						
Municipal General	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Component Unit - Municipal General	70.52%	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, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions in relation to the contractually required contribution						
Municipal General	\$ 325,317	247,835	273,271	243,595	241,619	229,899
Municipal Police	106,850	114,829	101,576	104,088	96,273	107,568
Component Unit - Municipal General	81,402	80,042	76,145	74,420	65,939	61,787
	<u>\$ 513,569</u>	<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	\$ 325,317	247,835	273,271	243,595	241,619	229,899
Municipal Police	106,850	114,829	101,576	104,087	96,273	107,568
Component Unit - Municipal General	81,402	80,042	76,145	74,420	65,939	61,787
	<u>\$ 513,569</u>	<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	\$ 3,319,561	2,595,131	2,861,475	2,550,738	2,246,083	2,439,725
Municipal Police	557,963	607,558	537,439	550,728	838,111	934,075
Component Unit - Municipal General	661,805	631,912	631,912	615,593	571,154	605,461
	<u>\$ 4,539,329</u>	<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	9.80%	9.55%	9.55%	9.55%	10.76%	10.24%
Municipal Police	19.15%	18.90%	18.90%	18.90%	11.49%	12.83%
Component Unit - Municipal General	12.30%	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 the City is not available prior to fiscal year 2015, the year the statement's requirements became effective

\*\* Amounts for covered payroll for 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, 2020**

**New Mexico Retiree Healthcare Authority  
For Last 10 Fiscal Years\***

	Fiscal Year Measurement Date	30-Jun		
		2020 2019	2019 2018	2018 2017
City's Proportion of the Net OPEB liability		0.07443%	0.07961%	0.07837%
Component Unit's Proportion of the Net OPEB Liability		0.01497%	0.01431%	0.01436%
City's Proportionate Share of the Net OPEB Liability	\$	2,413,310	3,461,725	3,551,472
Component Unit's Proportionate Share of the Net OPEB Liability	\$	485,385	622,249	650,748
City's Covered-Employee Payroll	\$	3,105,911	3,415,760	3,264,618
Component Unit's Covered -Employee Payroll	\$	662,764	632,179	598,187
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered-Employee Payroll		77.70%	101.35%	108.79%
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll		73.24%	98.43%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEBn Liability		18.92%	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, 2020**

**New Mexico Retiree Healthcare Authority  
Last Ten Fiscal Years\***

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution - City	\$ 65,883	124,404	248,862
Contractually Required Contribution - Component Unit	13,237	13,257	12,645
Contributions in Relation to the Contractually Required Contribution - City	(65,883)	122,885	124,901
Contributions in Relation to the Contractually Required Contribution - Component Unit	<u>(13,237)</u>	<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>	<u>-</u>
Employer's covered-employee payroll - City	\$ 3,105,911	3,415,760	3,264,618
Employer's covered-employee payroll - Component Unit	\$ 662,764	662,764	632,179
Contributions as a percentage of covered-employee payroll - City	2.12%	3.60%	3.83%
Contributions as a percentage of covered-employee payroll - Component Unit	2.00%	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.*

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

***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, 2019, is available at <http://www.nmpera.org/>

***Retiree Health Care Authority (RHCA)*** - In the June 30, 2019 actuarial valuation, changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.08% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

## **SUPPLEMENTARY INFORMATION**



**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NON-MAJOR FUNDS  
June 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020

	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	\$ 922,735	51	15,585	-	373,926
Restricted cash and cash equivalents	-	-	-	-	-
Receivables:					
Other taxes	-	-	-	-	63,377
Miscellaneous receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 922,735</u>	<u>51</u>	<u>15,585</u>	<u>-</u>	<u>437,303</u>
<i>Liabilities</i>					
Accounts payable	\$ 3,115	-	2,777	-	-
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
<i>Total liabilities</i>	<u>3,115</u>	<u>-</u>	<u>2,777</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows - Property Taxes</i>					
Unearned revenue - property taxes	-	-	-	-	-
<i>Total Deferred Inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>3,115</u>	<u>-</u>	<u>2,777</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable:					
Restricted for:					
Public Safety	-	-	12,808	-	437,303
Culture and recreation	-	51	-	-	-
Transportation and roads	-	-	-	-	-
Fire protection	919,620	-	-	-	-
Veteran's Wall	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<i>Total fund balances</i>	<u>919,620</u>	<u>51</u>	<u>12,808</u>	<u>-</u>	<u>437,303</u>
<i>Total liabilities and fund balances</i>	<u>\$ 922,735</u>	<u>51</u>	<u>15,585</u>	<u>-</u>	<u>437,303</u>

Special Revenue				
Lodger's Tax 214	Municipal Streets Fund 216	Municipal Pool 295	State Library 294	Veteran's Wall Perpetual Care 293
412,007	582,157	58,641	42	375
-	-	-	-	-
24,535	68,700	-	-	-
-	-	-	4,348	-
-	38,269	9,784	-	-
<u>436,542</u>	<u>689,126</u>	<u>68,425</u>	<u>4,390</u>	<u>375</u>
688	2,526	2,841	264.00	-
-	-	1,383	-	-
-	-	-	-	-
<u>688</u>	<u>2,526</u>	<u>4,224</u>	<u>264</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>688</u>	<u>2,526</u>	<u>4,224</u>	<u>264</u>	<u>-</u>
-	38,269	9,784	-	-
-	-	-	-	-
435,854	-	54,417	4,126	-
-	648,331	-	-	-
-	-	-	-	-
-	-	-	-	375
-	-	-	-	-
-	-	-	-	-
<u>435,854</u>	<u>686,600</u>	<u>64,201</u>	<u>4,126</u>	<u>375</u>
<u>436,542</u>	<u>689,126</u>	<u>68,425</u>	<u>4,390</u>	<u>375</u>

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2020

	Senior Transportation 304	Capital Expenditures 305	Local Econ. Dev. Act (LEDA) 319	USDA Street Sweeper 308
<i>Assets</i>				
Cash and cash equivalents	\$ 5	-	-	100
Restricted cash and cash equivalents	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Miscellaneous receivables	243,245	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 243,250</u>	<u>-</u>	<u>-</u>	<u>100</u>
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
<i>Total Deferred Inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public Safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Fire protection	-	-	-	-
Veteran's Wall	-	-	-	-
Capital projects	243,250	-	-	100
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>243,250</u>	<u>-</u>	<u>-</u>	<u>100</u>
<i>Total liabilities and fund balances</i>	<u>\$ 243,250</u>	<u>-</u>	<u>-</u>	<u>100</u>

Capital Projects				Total Nonmajor Governmental Funds
Golf Course Improvement 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	
16,454	-	28,590	-	2,410,668
-	-	-	-	-
-	-	-	-	156,612
-	-	-	-	247,593
-	-	-	-	48,053
16,454	-	28,590	-	2,862,926
-	-	8,138.00	-	20,349
-	-	-	-	1,383
-	-	-	-	-
-	-	8,138	-	21,732
-	-	-	-	-
-	-	-	-	-
-	-	8,138	-	21,732
-	-	-	-	48,053
-	-	-	-	450,111
-	-	-	-	494,448
-	-	-	-	648,331
-	-	-	-	919,620
-	-	20,452	-	20,827
16,454	-	-	-	259,804
-	-	-	-	-
16,454	-	20,452	-	2,841,194
16,454	-	28,590	-	2,862,926

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, 2020

	Special Revenue			
	Fire Protection 209	Recreation Fund 217	Correction Fees 201	Law Enforcement Protection 211
<i>Revenues</i>				
Taxes:				
Gross Receipts	\$ -	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal capital grants	-	-	-	-
State operating grants	312,200	-	-	27,800
State capital grants	-	-	-	-
Charges for services	-	-	6,342	-
Investment income	-	18	-	-
Miscellaneous	881	-	-	-
<i>Total revenues</i>	<u>313,081</u>	<u>18</u>	<u>6,342</u>	<u>27,800</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	53,915	-	21,397	32,425
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	32,144	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>86,059</u>	<u>-</u>	<u>21,397</u>	<u>32,425</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>227,022</u>	<u>18</u>	<u>(15,055)</u>	<u>(4,625)</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	15,000	-
Transfers, out	-	(19,228)	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(19,228)</u>	<u>15,000</u>	<u>-</u>
<i>Net change in fund balances</i>	227,022	(19,210)	(55)	(4,625)
<i>Fund balances - beginning of year</i>	<u>692,598</u>	<u>19,261</u>	<u>12,863</u>	<u>4,625</u>
<i>Fund balances, end of year</i>	<u>\$ 919,620</u>	<u>51</u>	<u>12,808</u>	<u>-</u>



Police Department GRT Fund 296	Lodger's Tax 214	Special Revenue		State Library 294	Veteran's Wall Perpetual Care 293
		Municipal Streets Fund 216	Municipal Pool 295		
-	-	417,635	391	-	-
-	-	90,248	-	-	-
-	263,861	-	-	-	-
97,877	-	-	-	-	-
-	5,280	-	-	18,454	-
-	-	-	-	-	-
63,541	60,809	-	8,678	-	-
199	429	497	-	-	-
-	-	-	762	1,731	775
<u>161,617</u>	<u>330,379</u>	<u>508,380</u>	<u>9,831</u>	<u>20,185</u>	<u>775</u>
-	173,253	6,314	-	-	-
-	-	-	-	-	400
-	-	331,819	-	-	-
-	-	-	132,693	23,246	-
182,705	-	66,944	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>182,705</u>	<u>173,253</u>	<u>405,077</u>	<u>132,693</u>	<u>23,246</u>	<u>400</u>
<u>(21,088)</u>	<u>157,126</u>	<u>103,303</u>	<u>(122,862)</u>	<u>(3,061)</u>	<u>375</u>
300,000	-	68,500	132,000	-	-
(20,082)	(90,000)	-	-	-	(13,692)
<u>279,918</u>	<u>(90,000)</u>	<u>68,500</u>	<u>132,000</u>	<u>-</u>	<u>(13,692)</u>
258,830	67,126	171,803	9,138	(3,061)	(13,317)
<u>178,473</u>	<u>368,728</u>	<u>514,797</u>	<u>55,063</u>	<u>7,187</u>	<u>13,692</u>
<u>437,303</u>	<u>435,854</u>	<u>686,600</u>	<u>64,201</u>	<u>4,126</u>	<u>375</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, 2020

	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	243,245	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>243,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	243,245	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>243,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers, in	243,250	-	-	-
Transfers, out	(68,170)	(67)	-	-
<i>Total other financing sources (uses)</i>	<u>175,080</u>	<u>(67)</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	175,080	(67)	-	-
<i>Fund balances - beginning of year</i>	<u>68,170</u>	<u>67</u>	<u>-</u>	<u>100</u>
<i>Fund balances, end of year</i>	<u>\$ 243,250</u>	<u>-</u>	<u>-</u>	<u>100</u>

Capital Projects				Total Nonmajor Governmental Funds
Golf Course Improvements 307	R & R Emergency 310	Veteran's Wall 303	CDBG Project 314	
-	-	-	-	418,026
-	-	-	-	90,248
-	-	-	-	263,861
-	-	-	-	97,877
-	-	-	-	606,979
-	-	-	-	-
-	-	-	-	139,370
-	-	-	-	1,143
-	-	-	-	4,149
-	-	-	-	1,621,653
-	-	-	-	-
-	-	-	-	179,567
-	-	-	-	108,137
-	-	-	-	331,819
-	-	32,903	-	188,842
-	-	-	-	525,038
-	-	-	-	-
-	-	-	-	-
-	-	32,903	-	1,333,403
-	-	(32,903)	-	288,250
-	-	13,692	-	772,442
-	(62,438)	-	(326,341)	(600,018)
-	(62,438)	13,692	(326,341)	172,424
-	(62,438)	(19,211)	(326,341.00)	460,674
16,454	62,438	39,663	326,341	2,380,520
16,454	-	20,452	-	2,841,194

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2020

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash, investments and cash equivalents	\$ 13,385	39,497	52,882
Receivables:			
Charges for services, net	-	-	-
<b>Total current assets</b>	<u>13,385</u>	<u>39,497</u>	<u>52,882</u>
<b>Noncurrent assets</b>			
Capital assets	1,056,511	145,849	1,202,360
Less: Accumulated depreciation	<u>(431,244)</u>	<u>(26,801)</u>	<u>(458,045)</u>
<b>Total assets</b>	<u>638,652</u>	<u>158,545</u>	<u>797,197</u>
<b>DEFERRED OUTFLOWS - PENSION RELATED</b>	8,553	-	8,553
<b>DEFERRED OUTFLOWS - OPEB RELATED</b>	<u>1,147</u>	<u>-</u>	<u>1,147</u>
<b>Total Deferred Outflows</b>	<u>9,700</u>	<u>-</u>	<u>9,700</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current liabilities</b>			
Accounts payable	4,699	1,605	6,304
Accrued payroll	3,946	-	3,946
Accrued compensated absences	901	-	901
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b>	<u>9,546</u>	<u>1,605</u>	<u>11,151</u>
<b>Non-Current Liabilities</b>			
Compensated absences	1,803	-	1,803
Net pension liability	44,441	-	44,441
Net OPEB Liability	<u>23,995</u>	<u>-</u>	<u>23,995</u>
<b>Total non-current liabilities</b>	<u>70,239</u>	<u>-</u>	<u>70,239</u>
<b>Total liabilities</b>	<u>79,785</u>	<u>1,605</u>	<u>81,390</u>
<b>DEFERRED INFLOWS - PENSION RELATED</b>	2,549	-	2,549
<b>DEFERRED INFLOWS - OPEB RELATED</b>	<u>16,324</u>	<u>-</u>	<u>16,324</u>
<b>Total deferred inflows</b>	<u>18,873</u>	<u>-</u>	<u>18,873</u>
<b>Net position</b>			
Net investment in capital assets	625,267	119,048	744,315
Unrestricted	<u>(75,573)</u>	<u>37,892</u>	<u>(37,681)</u>
<b>Total net position</b>	<u>\$ 549,694</u>	<u>156,940</u>	<u>706,634</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, 2020**

	Business Type Activities - Enterprise Funds		
	Golf Course 508	Cemetery 501	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>			
Charges for services	\$ 3,429	8,530	11,959
<i>Total revenues</i>	<u>3,429</u>	<u>8,530</u>	<u>11,959</u>
<i>Operating Expenses</i>			
General operating	57,519	11,128	68,647
Personnel services	187,681	-	187,681
Depreciation	6,746	122	6,868
Utilities	20,225	-	20,225
<i>Total operating expenses</i>	<u>272,171</u>	<u>11,250</u>	<u>283,421</u>
<i>Operating income (loss)</i>	<u>(268,742)</u>	<u>(2,720)</u>	<u>(271,462)</u>
<i>Nonoperating revenues (expenses)</i>			
Investment income	18	20	38
Miscellaneous income	33,167	-	33,167
<i>Total non-operating revenues (expenses)</i>	<u>33,185</u>	<u>20</u>	<u>33,205</u>
<i>Income (loss) before contributions and transfers</i>	<u>(235,557)</u>	<u>(2,700)</u>	<u>(238,257)</u>
Transfers in	120,000	-	120,000
Transfers out	-	-	-
<i>Change in net position</i>	<u>(115,557)</u>	<u>(2,700)</u>	<u>(118,257)</u>
Net position - beginning	<u>665,251</u>	<u>159,640</u>	<u>824,891</u>
<i>Net position - end of year</i>	<u>\$ 549,694</u>	<u>156,940</u>	<u>706,634</u>

**STATE OF NEW MEXICO**  
**CITY OF TRUTH OR CONSEQUENCES**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

	Business Type Activities - Enterprise Funds		
	Golf Course	Cemetery	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 101,910	8,529	110,439
Cash payments to suppliers for goods and services	(275,125)	(9,523)	(284,648)
<i>Net cash provided (used) by operating activities</i>	<u>(173,215)</u>	<u>(994)</u>	<u>(174,209)</u>
<i>Cash flows from noncapital financing activities</i>			
Miscellaneous income	33,185	20	33,205
Transfers	120,000	-	120,000
<i>Net cash provided by noncapital financing activities</i>	<u>153,185</u>	<u>20</u>	<u>153,205</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	(9,342)	-	(9,342)
<i>Net cash (used) by capital and related financing activities</i>	<u>(9,342)</u>	<u>-</u>	<u>(9,342)</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>(29,372)</u>	<u>(974)</u>	<u>(30,346)</u>
Cash and cash equivalents - beginning of year	<u>42,757</u>	<u>40,471</u>	<u>83,228</u>
Cash and cash equivalents - end of year	<u>\$ 13,385</u>	<u>39,497</u>	<u>52,882</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (268,742)	(2,720)	(271,462)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
<i>Depreciation</i>	6,746	121	6,867
<i>PERA Pension Expense</i>	38,437	-	38,437
<i>RHC OPEB Expense</i>	39,172	-	39,172
Changes in assets and liabilities			
Receivables	-	-	-
Accounts payable	4,522	-	4,522
Accrued payroll	3,946	-	3,946
Accrued compensated absences	<u>2,704</u>	<u>1,605</u>	<u>4,309</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (173,215)</u>	<u>(994)</u>	<u>(174,209)</u>

## **OTHER SUPPLEMENTARY SCHEDULES**

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS  
Year Ended June 30, 2020

Bank Name	Account Type	Totals
<b>First Savings Bank</b>		
GENERAL	Demand Account	\$ 1,072,828
LOCAL GOVERNMENT CORRECTIONS	Demand Account	15,585
FIRE PROTECTION	Demand Account	922,735
LAW ENFORCEMENT PROTECTION	Demand Account	-
LODGER'S TAX	Demand Account	412,007
MUNICIPAL STREET FUND	Demand Account	582,157
RECREATION	Demand Account	1
FEDERAL SEIZURE SHARE	Demand Account	-
VETERANS WALL PERPETUAL CARE	Demand Account	375
LIBRARY	Demand Account	42
MUNICIPAL POOL	Demand Account	58,641
PD GRT FUND	Demand Account	373,926
PD CONFIDENTIAL	Demand Account	8,430
PD DONATIONS	Demand Account	-
ELECTRICAL CONSTRUCTION	Demand Account	4
VETERANS WALL	Demand Account	28,590
SENIOR GRANTS	Demand Account	5
CAPITAL IMPROVEMENTS GENERAL	Demand Account	-
CAPITAL IMPROVEMENT JT UTILITY	Demand Account	324,220
GOLF COURSE IMPROVEMENTS	Demand Account	16,454
USDA STREET SWEEPER	Demand Account	100
USDA WWTP FUND	Demand Account	49,801
JOINT UT EMERGENCY	Demand Account	-
R & R AIRPORT (FFA)	Demand Account	958
R & R WATER	Demand Account	-
CDBG	Demand Account	-
USDA Water System	Demand Account	442,375
CAPITAL IMPOV RESERVE	Demand Account	725,318
EMERGENCY REPAIR RESERVE	Demand Account	104,455
WASTE WATER RESERVE	Demand Account	90,793
ELECTRICAL CONSTRUCTION RESERVE	Demand Account	121,051
PLEDGE STATE TAX	Demand Account	113,798
CEMETARY FUND	Demand Account	39,497
TRANSFER STATION	Demand Account	20
GOLF COURSE	Demand Account	13,253
MUNICIPAL AIRPORT	Demand Account	28,727
INTERNAL SERVICE	Demand Account	73,028
PD BONDS	Demand Account	1,000
REVOLVING FUND	Demand Account	327,435
W/WW Impact Fees	Demand Account	3,992
Impact WW Dennis Murati	Demand Account	1,802
Impact WW James Lewis	Demand Account	1,802
Impact WW NM Veterans Home	Demand Account	101,462
Impact WW Lewis & Janet Kern	Demand Account	2,202
Impact WW Robert Uno Maki	Demand Account	1,351
Impact WW Alexander Andrassy	Demand Account	1,051
Impact WW Walter Pucci	Demand Account	2,701
Impact WW First Savings Bank	Demand Account	450
Impact WW Marcia Mohr	Demand Account	600
Impact WW R&N Apartments	Demand Account	5,401
Impact WW Karon Morgan	Demand Account	300
Impact WW Cielo Vista LLC	Demand Account	6,301
Joint Utility (pooled cash)	Demand Account	2,968,278
CD INVESTMENT R&R SEWER	Time Account	145,720
CD INVESTMENT R&R WATER	Time Account	128,767
CD INVESTMENT PLEDGE	Time Account	595,195
CD INVESTMENT ELECTRIC	Time Account	508,833
CD INVESTMENT CAPITAL IMPROVE	Time Account	1,041,753
CD INVESTMENT EMERG REPAIR	Time Account	41,606
CD INVESTMENT WASTE WATER REPAIR	Time Account	104,178
CD INVESTMENT ELEC CONST	Time Account	84,976
CD INVESTMENT HSLD	Time Account	101,461
Total for First Savings Bank		11,797,791



<b>NMFA</b>			
Storage Tanks	Cash/Investment	34,337	
Police Department Building	Cash/Investment	23,181	
Streets Improvements	Cash/Investment	193,871	
Water Tank	Cash/Investment	10,632	
Refunding Water Revenue	Cash/Investment	116,462	
Fire Pump	Cash/Investment	299	
Law Enforcement Equipment	Cash/Investment	9,080	
PPRF-4967	Cash/Investment	72,195	
PPRF-4968	Cash/Investment	1,311,568	
	Total NMFA	<u>1,771,625</u>	
<b>NM LGIP Fund</b>			
LGIP Fund		<u>1,377,068</u>	
	Total NM LGIP	<u>1,377,068</u>	
Total on Deposit and Investments	Cash/Investment	<u>14,946,484</u>	
Reconciling Items		<u>(275,295)</u>	
Total Deposits and Investments		<u>14,671,189</u>	
Less: Restricted Cash and Cash Equivalents per the Statement of Net Position		1,897,048	
Less: Investments per the Statement of Net Position		<u>4,129,557</u>	
Total Unrestricted Cash and Cash Equivalents per the Statement of Net Position	\$	<u><u>8,644,584</u></u>	

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF PLEDGED COLLATERAL  
Year Ended June 30, 2020

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2020	Location of Safekeeper
<b>First Savings Bank</b>					
	FNMA 10YR	4/1/2024	314188B54	117,360.82	Federal Reserve, Beresford SD
	FNMA 15YE	8/1/2026	31417Y4X2	128,645.05	Federal Reserve, Beresford SD
	GNMA II 15YR	10/20/2026	36202FX43	316,071.18	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2026	3138E1HB6	601,753.95	Federal Reserve, Beresford SD
	FNMA 15YR	2/1/2027	3138E4X71	143,727.80	Federal Reserve, Beresford SD
	GNMA 15YR	2/15/2027	36176XBY4	68,753.36	Federal Reserve, Beresford SD
	GNMA 15YR	2/15/2027	36176XBY4	485,570.57	Federal Reserve, Beresford SD
	GNMA II 15YR	3/20/2027	36202F4K9	277,011.53	Federal Reserve, Beresford SD
	FNR 2012-66 HE	6/25/2027	3136A6A20	235,198.55	Federal Reserve, Beresford SD
	GNR 2012-96 AD	8/20/2027	38378HAU0	93,059.33	Federal Reserve, Beresford SD
	FNR 2012-96 DB	9/25/2027	3136A75A6	107,911.21	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	102,505.84	Federal Reserve, Beresford SD
	FHR 4136 NG	11/15/2027	3137AWKN4	205,011.69	Federal Reserve, Beresford SD
	FGLMC 15YR	6/1/2027	31307DB62	75,886.69	Federal Reserve, Beresford SD
	FNMA 15YR	10/1/2028	3138ELUS0	152,718.70	Federal Reserve, Beresford SD
	FGLMC 15YR	12/1/2028	3132KEMF9	528,541.76	Federal Reserve, Beresford SD
	FMNA 15YR	7/1/2029	31410LN57	250,451.69	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3138ERHG8	145,640.40	Federal Reserve, Beresford SD
	FNMA 15YR	12/1/2029	3138ERHG8	291,280.80	Federal Reserve, Beresford SD
	FNMA RELO 15YR	12/1/2029	3140J5EA3	209,740.06	Federal Reserve, Beresford SD
	FGLMC 15YR	2/1/2030	3128MECV1	162,576.90	Federal Reserve, Beresford SD
	FNMA 15YR	2/1/2030	3138ETU53	153,061.59	Federal Reserve, Beresford SD
	FGLMC 15YR	8/1/2031	3128ME4M0	674,081.42	Federal Reserve, Beresford SD
	FHR 4080 NA	5/15/2032	3137ARS72	845,197.04	Federal Reserve, Beresford SD
	FNMA 20YR	3/1/2039	3140JAM62	399,064.77	Federal Reserve, Beresford SD
	FNMA 20YR	10/1/2039	3140QB2W7	295,848.98	Federal Reserve, Beresford SD
	FNR 2014-71 M	8/25/2041	3136ALJJ1	1,628,684.82	Federal Reserve, Beresford SD
	FNR 2014-37 GJ	6/25/2042	3136AKGQ0	200,664.61	Federal Reserve, Beresford SD
	FNR 2014-37 GJ	6/25/2042	3136AKGQ0	140,465.23	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/2042	3136AFTR5	108,739.85	Federal Reserve, Beresford SD
	FNR 2013-73 TC	9/25/2042	3136AFTR5	77,671.32	Federal Reserve, Beresford SD
	FNR 2017-18 CA	1/25/2043	3136AVQK8	266,484.69	Federal Reserve, Beresford SD
	FHR 4505 PA	5/15/2044	3137BKWM8	44,490.11	Federal Reserve, Beresford SD
	GNR 2018-153 WJ	11/20/2045	38381AZ58	397,220.88	Federal Reserve, Beresford SD
	GNR 2018-12 GM	7/20/2046	38380UT52	455,308.49	Federal Reserve, Beresford SD
	GNR 2018-12 GM	7/20/2046	38380UT52	165,566.72	Federal Reserve, Beresford SD
	GNR 2020-7 MJ	8/20/2049	38382DCD9	813,959.48	Federal Reserve, Beresford SD
	FHR 4927 LG	9/25/2049	3137FPZZ1	454,506.29	Federal Reserve, Beresford SD
	FHR 4927 LG	9/25/2049	3137FPZZ1	395,222.86	Federal Reserve, Beresford SD
Total				\$ 12,215,657	

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
TRUTH OR CONSEQUENCES HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2020

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Public Housing CARES Act Funding NM020000001 14.PHC	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
111	Cash - Unrestricted	\$ 277,588	\$ -	\$ 81,584	\$ 67,692
113	Cash - Other Restricted	20,046	-	-	108,006
114	Cash - Tenant Security Deposits	29,487	-	-	8,762
100	Total Cash	327,121	-	81,584	184,460
121	Accounts Receivable - PHA projects	15,790	30,855	-	-
125	Accounts Receivable - Miscellaneous	128,205	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	5,026	-	-	3,026
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(503)	-	-	(303)
120	Total Receivables, Net of Allowance for Doubtful Accounts	148,518	30,855	-	2,723
131	Investments - Unrestricted	230,181	-	-	-
130	Total Investments	230,181	-	-	-
142	Prepaid Expenses and Other Assets	17,890	-	-	4,770
143	Inventories	17,598	-	-	2,660
150	Total Current Assets	741,308	30,855	81,584	194,613
161	Land	431,590	-	-	205,946
162	Buildings	4,728,361	-	6,551	2,058,819
163	Furniture, Equipment & Machinery - Dwellings	229,140	-	-	56,243
164	Furniture, Equipment & Machinery - Administration	477,435	-	16,342	20,771
165	Leasehold Improvements	609,756	-	18,015	85,210
166	Accumulated Depreciation	(4,613,592)	-	(28,059)	(1,362,546)
167	Construction in progress	245,616	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,108,306	-	12,849	1,064,443
180	Total Non-Current Assets	2,108,306	-	12,849	1,064,443
190	Total Assets	2,849,614	30,855	94,433	1,259,056
200	Deferred Outflows of Resources	157,058	-	-	53,663
290	Total Assets and Deferred Outflows of Resources	\$ 3,006,672	\$ 30,855	\$ 94,433	\$ 1,312,719

Housing Choice Vouchers Program 14.871	Housing Choice Vouchers CARES Act Funding 14.HCC	Mainstream Vouchers Program 14.879	Mainstream CARES Act Funding 14.MSC	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ 265,046	\$ 19,322	\$ -	\$ 2,412	\$ 5,949	\$ 451,399	\$ 1,170,992
51,764	-	-	-	-	-	179,816
-	-	-	-	-	-	38,249
316,810	19,322	-	2,412	5,949	451,399	1,389,057
-	-	-	-	-	-	46,645
886	-	-	-	-	215,073	344,164
-	-	-	-	-	-	8,052
-	-	-	-	-	-	(806)
886	-	-	-	-	215,073	398,055
-	-	-	-	-	81,595	311,776
-	-	-	-	-	81,595	311,776
1,963	-	-	-	-	-	24,623
-	-	-	-	-	-	20,258
319,659	19,322	-	2,412	5,949	748,067	2,143,769
-	-	-	-	-	-	637,536
-	-	-	-	-	-	6,793,731
-	-	-	-	-	-	285,383
35,730	-	-	-	-	-	550,278
-	-	-	-	-	-	712,981
(35,730)	-	-	-	-	-	(6,039,927)
-	-	-	-	-	-	245,616
-	-	-	-	-	-	3,185,598
-	-	-	-	-	-	3,185,598
319,659	19,322	-	2,412	5,949	748,067	5,329,367
56,392	-	-	-	-	83,594	350,707
\$ 376,051	\$ 19,322	\$ -	\$ 2,412	\$ 5,949	\$ 831,661	\$ 5,680,074

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
TRUTH OR CONSEQUENCES HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2020

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Public Housing CARES Act Funding NM020000001 14.PHC	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
311	Bank Overdraft	\$ -	\$ 30,855	\$ -	\$ -
312	Accounts Payable <= 90 Days	26,373	-	-	2,349
321	Accrued Wage/Payroll Taxes Payable	40,022	-	-	-
322	Accrued Compensated Absences - Current Portion	9,966	-	-	4,914
341	Tenant Security Deposits	27,421	-	-	7,454
342	Unearned Revenues	-	-	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	43,218
345	Other Current Liabilities	18,043	-	-	121,927
310	Total Current Liabilities	121,825	30,855	-	179,862
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	684,690
357	Accrued Pension and OPEB Liabilities	1,052,534	-	-	282,773
350	Total Non-Current Liabilities	1,052,534	-	-	967,463
300	Total Liabilities	1,174,359	30,855	-	1,147,325
400	Deferred Inflows of Resources	141,543	-	-	36,898
508.1	Net investment in capital assets	2,108,306	-	12,849	336,535
511	Restricted Net Position	-	-	-	-
512.1	Unrestricted Net Position	(417,536)	-	81,584	(208,039)
513	Total Equity/Net Position	1,690,770	-	94,433	128,496
600	Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position	\$ 3,006,672	\$ 30,855	\$ 94,433	\$ 1,312,719

Housing Choice Vouchers Program 14.871	Housing Choice Vouchers Program 14.871C	Mainstream Vouchers Program 14.879	Mainstream Vouchers Program 14.879C	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,855
-	-	-	-	-	-	28,722
-	-	-	-	-	-	40,022
2,274	-	-	-	-	11,808	28,962
-	-	-	-	-	-	34,875
-	19,322	-	2,412	-	-	21,734
-	-	-	-	-	-	43,218
49,786	-	-	-	-	128,205	317,961
52,060	19,322	-	2,412	-	140,013	546,349
-	-	-	-	-	-	684,690
277,778	-	-	-	-	463,186	2,076,271
277,778	-	-	-	-	463,186	2,760,961
329,838	19,322	-	2,412	-	603,199	3,307,310
49,073	-	-	-	-	102,608	330,122
-	-	-	-	-	-	2,457,690
74,942	-	-	-	-	-	74,942
(77,802)	-	-	-	5,949	125,854	(489,990)
(2,860)	-	-	-	5,949	125,854	2,042,642
\$ 376,051	\$ 19,322	\$ -	\$ 2,412	\$ 5,949	\$ 831,661	\$ 5,680,074

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
TRUTH OR CONSEQUENCES HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2020

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Public Housing CARES Act Funding NM020000001 14.PHC	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
70300	Net Tenant Rental Revenue	\$ 262,704	\$ -	\$ 20,040	\$ -
70400	Tenant Revenue - Other	335	-	-	117,133
70500	Total Tenant Revenue	263,039	-	20,040	117,133
70600	HUD PHA Operating Grants	249,164	30,855	-	71,995
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	3,631	-	-	284
71500	Other Revenue	33,388	-	235	5,384
71600	Gain or Loss on Sale of Capital Assets	(514)	-	-	-
70000	Total Revenue	548,708	30,855	20,275	194,796
91100	Administrative Salaries	37,150	-	-	15,489
91200	Auditing Fees	10,383	-	2,967	5,934
91310	Book-keeping Fee	4,735	-	805	-
91400	Advertising and Marketing	3,134	-	-	416
91500	Employee Benefit Contributions - Administrative	41,678	-	-	15,398
91600	Office Expenses	21,262	-	-	3,765
91700	Legal Expense	936	-	-	167
91800	Travel	4,903	-	-	-
91900	Other Operating - Administrative	34,537	-	843	22,990
91000	Total Operating - Administrative	158,718	-	4,615	64,159
92100	Tenant Services - Salaries	104,693	-	-	-
92300	Employee Benefit Contributions - Tenant Services	40,168	-	-	-
92500	Total Tenant Services	144,861	-	-	-
93100	Water	17,480	-	165	4,873
93200	Electricity	20,686	-	-	5,142
93300	Gas	4,277	-	755	3,421
93600	Sewer	14,197	-	-	8,635
93800	Other Utilities Expense	67,751	-	286	5,934
93000	Total Utilities	124,391	-	1,206	28,005

<b>Rural Rental Assistance Payments 10.427</b>	<b>Resident Opportunity and Supportive Services 14.870</b>	<b>Housing Choice Vouchers Program 14.871</b>	<b>Mainstream Vouchers Program 14.879</b>	<b>HOME Investment Partnerships Program 14.239</b>	<b>Business Activities</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,744
-	-	-	-	-	-	117,468
-	-	-	-	-	-	400,212
165,601	-	951,639	73,581	-	-	1,542,835
-	112,256	-	-	-	-	112,256
-	-	1,858	-	9	2,458	8,240
-	-	4,079	-	-	194,741	237,827
-	-	-	-	-	-	(514)
165,601	112,256	957,576	73,581	9	197,199	2,300,856
-	-	23,954	3,310	-	89,323	169,226
-	-	7,416	-	-	2,967	29,667
-	-	4,324	-	-	1,191	11,055
-	-	-	-	-	-	3,550
-	-	24,036	-	-	93,698	174,810
-	-	10,685	-	-	7,990	43,702
-	-	-	-	-	100	1,203
-	-	950	-	-	629	6,482
-	-	7,579	-	-	-	65,949
-	-	78,944	3,310	-	195,898	505,644
-	-	-	-	-	-	104,693
-	-	-	-	-	-	40,168
-	-	-	-	-	-	144,861
-	-	-	-	-	-	22,518
-	-	-	-	-	-	25,828
-	-	20	-	-	-	8,473
-	-	-	-	-	-	22,832
-	-	-	-	-	-	73,971
-	-	20	-	-	-	153,622



STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
TRUTH OR CONSEQUENCES HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2020

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Public Housing CARES Act Funding NM020000001 14.PHC	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation - Labor	\$ 54,463	\$ -	\$ 137	\$ 37,116
94200	Ordinary Maintenance & Operation - Materials & Other	33,130	-	860	11,805
94300	Ordinary Maintenance & Operation Contracts	98,899	-	6,242	60,710
94500	Employee Benefit Contributions - Ordinary Maintenance	55,546	-	-	34,245
94000	Total Maintenance	242,038	-	7,239	143,876
96110	Property Insurance	24,035	-	-	6,779
96130	Workmen's Compensation	-	-	-	140
96140	All Other Insurance	-	-	-	-
96100	Total Insurance Premiums	24,035	-	-	6,919
96200	Other General Expenses	-	-	-	2,338
96210	Compensated Absences	-	-	-	-
96300	Payment In Lieu of Taxes	-	-	-	-
96400	Bad Debt - Tenant Rents	6,685	-	-	8,531
96600	Bad Debt - Other	-	-	-	-
96000	Total Other General	6,685	-	-	10,869
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	85,136
96700	Total Interest Expense and Amortization Cost	-	-	-	85,136
96900	Total Operating Expenses	700,728	-	13,060	338,964
97000	Excess Operating Revenue Over Operating Expenses	(152,020)	30,855	7,215	(144,168)
97300	Housing Assistance Payments	-	-	-	-
97400	Depreciation Expense	119,696	-	2,457	68,272
90000	Total Expenses	820,424	-	15,517	407,236
10010	Operating Transfers In	143,111	-	-	165,601
10020	Operating Transfers Out	-	(30,855)	-	-
10100	Total Other Financing Sources (Uses)	143,111	(30,855)	-	165,601

<b>Rural Rental Assistance Payments 10.427</b>	<b>Resident Opportunity and Supportive Services 14.870</b>	<b>Housing Choice Vouchers Program 14.871</b>	<b>Mainstream Vouchers Program 14.879</b>	<b>HOME Investment Partnerships Program 14.239</b>	<b>Business Activities</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,164	\$ 98,880
-	-	-	-	-	-	45,795
-	-	-	-	-	-	165,851
-	-	-	-	-	6,735	96,526
-	-	-	-	-	13,899	407,052
-	-	-	-	-	-	30,814
-	-	-	-	-	-	140
-	-	1,564	-	-	-	1,564
-	-	1,564	-	-	-	32,518
-	-	11,005	-	-	14,160	27,503
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	15,216
-	-	751	-	-	-	751
-	-	11,756	-	-	14,160	43,470
-	-	-	-	-	-	85,136
-	-	-	-	-	-	85,136
-	-	92,284	3,310	-	223,957	1,372,303
165,601	112,256	865,292	70,271	9	(26,758)	928,553
-	-	763,071	66,137	-	-	829,208
-	-	-	-	-	-	190,425
-	-	855,355	69,447	-	223,957	2,391,936
-	-	-	-	-	-	308,712
(165,601)	(112,256)	-	-	-	-	(308,712)
(165,601)	(112,256)	-	-	-	-	-

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
TRUTH OR CONSEQUENCES HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2020

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Public Housing CARES Act Funding NM020000001 14.PHC	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (128,605)	\$ -	\$ 4,758	\$ (46,839)
11030	Beginning Equity	1,819,375	-	89,675	175,335
11040-10	Correction of Equity classification			-	-
11040-20	Equity Transfers	-	-	-	-
	Ending Equity (deficit)	\$ 1,690,770	\$ -	\$ 94,433	\$ 128,496
11190	Unit Months Available	1,200	-	12	636
11210	Number of Unit Months Leased	1,056	-	12	515
11270	Excess Cash	\$ 554,740	\$ -	\$ -	\$ -

<b>Rural Rental Assistance Payments 10.427</b>	<b>Resident Opportunity and Supportive Services 14.870</b>	<b>Housing Choice Vouchers Program 14.871</b>	<b>Mainstream Vouchers Program 14.879</b>	<b>HOME Investment Partnerships Program 14.239</b>	<b>Business Activities</b>	<b>Total</b>
\$ -	\$ -	\$ 102,221	\$ 4,134	\$ 9	\$ (26,758)	\$ (91,080)
-	-	(105,081)	(4,134)	5,940	152,612	2,133,722
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ (2,860)	\$ -	\$ 5,949	\$ 125,854	\$ 2,042,642
-	-	2,040	240	-	-	4,128
-	-	1,851	234	-	-	3,668
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 554,740

STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
<b>Department of Transportation</b>			
<b>Airport Improvement Program</b>			
Runway 3-35-0042-017-2017 (Phase 2)	N/A	20.106	10,646
Total Airport Improvement Program			10,646
<b>Total Department of Transportation</b>			10,646
<b>Department of Agriculture</b>			
<b>Water and Waste Disposal Systems for Rural Communities</b>			
WWTP Improvements 2B	N/A	10.760	A 5,193,344
Total Water and Waste Disposal Systems for Rural Communities Grants			5,193,344
Community Facilities Loans and Grants	N/A	10.766	
Parks Department Truck and Equipment			37,700
Total Community Facilities Loans and Grants			37,700
<b>Total United States Department of Agriculture</b>			5,231,044
<b>Total Federal Financial Assistance</b>			\$ 5,241,690

A Denotes Major Program

See Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the County under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the County. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

**Subrecipients of Grant Awards**

There were no sub-recipients during fiscal 2020.

**Loans**

The City expended federal awards in the form of loans in the Water and Waste Disposal Systems for Rural Communities program totaling \$1,030,000 during the year ended June 30, 2020.

**Indirect Cost Rate**

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

## **COMPLIANCE**

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2020.

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) as a basis for designing 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.

### ***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 financial statements. 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 2020-001 and 2020-002.

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

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
December 14, 2020

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

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

The City Commission  
City of Truth or Consequences

**Report on Compliance for Each Major Federal Program**

We have audited the City of Truth or Consequences, New Mexico (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

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**OFFICE LOCATIONS**

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control over Compliance**

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

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

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

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown, & Hill, L.L.P.

Albuquerque, New Mexico

December 14, 2020

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

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**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

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***Financial Statements***

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

***Federal Awards***

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

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT**

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**2020-001 CONTROLS OVER CASH DISBURSEMENTS (Finding that does not rise to the level of a significant deficiency)**

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

- In 1 transaction totaling \$115 out of 25 transactions tested, a purchase order was not completed.

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

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

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

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

MANAGEMENT RESPONSE: Management will continue to train staff on purchasing procedures and will directly work with any employee violating procurement policy on a one-on-one basis.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director

TIMELINE FOR CORRECTIVE ACTION: January 30, 2021

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

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**2020-002 (Previously 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 certified Federal Form I-9.

The city has implemented additional procedures to review forms. The city made progress on this finding.

CRITERIA: Per the City's finance policies and procedures and Federal Regulations the City is required to complete an accurate Form I-9 for all new hires.

EFFECT: The City is not in compliance with their internal control policies and federal requirements.

CAUSE: The unexpected passing of a City employee resulted in the incomplete I-9s during the new hire process.

RECOMMENDATION: We recommend reviewing the personnel files to verify that all employees must have a properly certified Federal form I-9 on file. We recommend the City review the Federal guidelines on correcting an I-9 after hire date to ensure the missing I-9s are completed.

MANAGEMENT RESPONSE: Management will work with the Human Resources Department to ensure that all forms are signed and approved on a timely basis.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: City Manager and Finance Director.

TIMELINE FOR CORRECTIVE ACTION: January 30, 2021

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

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

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None

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

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None

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

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**SECTION V – COMPONENT UNIT FINDINGS**

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**A. FINANCIAL STATEMENT FINDINGS**

None Noted

**B. SECTION 12-6-5 NMSA 1978 FINDINGS**

None Noted

**C. FEDERAL AWARD FINDINGS**

None Noted



**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

**SECTION VI - STATUS OF PRIOR YEAR FINDINGS**

<b>Description</b>	<b>Status</b>
<b><u>Financial Statement Findings</u></b>	
2017-004 Controls over Cash Receipts (finding that does not rise to the level of a significant deficiency)	Resolved
2018-002 Retiree Health Care Remittance and Recording (Other Noncompliance)	Resolved
2019-001 Controls Surrounding Payroll Disbursements (Finding that does not rise to the level of a significant deficiency)	Repeated/Modified
2019-002 Untimely Payment of Federal Withholdings (Significant Deficiency)	Resolved
2019-003 PERA Remittances and Contributions (Other Noncompliance)	Resolved
<b><u>Component Unit Findings</u></b>	
FA 2019-001 Internal Controls over Program Income – Rural Rental Loan Program (Significant Deficiency)	Resolved
NM 2018-001 Travel and Per Diem (Other Noncompliance)	Resolved

**STATE OF NEW MEXICO  
CITY OF TRUTH OR CONSEQUENCES  
EXIT CONFERENCE  
Year Ended June 30, 2020**

The contents of this report were discussed in the exit conference held on December 14, 2020, with the following in attendance:

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

Sandy Whitehead	Mayor
Morris Madris	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.