

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

Table of Contents	i
Official Roster.....	iii
Independent Auditor’s Report	1

BASIC FINANCIAL STATEMENTS

Statement of Net Position	5
Statement of Activities.....	7

Governmental Fund Financial Statements:

Balance Sheet- Governmental Funds.....	9
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	14
Statement of Revenues and Expenditures and Changes in Fund Balances Governmental Funds- Budget and Actual (GAAP Basis) - General Fund	15
Statement of Net Position- Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	18
Statement of Cash Flows- Proprietary Funds	20
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of City’s Proportionate Share of the Net Pension Liability.....	73
Schedule of City Contributions	74
Schedule of City’s Proportionate Share of the Net OPEB Liability.....	75
Schedule of the City OPEB Contributions.....	76
Notes to Required Supplementary Information.....	77

SUPPLEMENTARY INFORMATION

Description of Non-Major Funds	79
Combining Balance Sheet- Nonmajor Governmental Funds	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds	88
Combining Statement of Net Position – Nonmajor Proprietary Funds	94
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Proprietary Funds	95
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	96

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

SUPPLEMENTARY INFORMATION (CONTINUED)

Other Supplemental Schedules

Schedule of Cash and Investment Accounts.....	97
Schedule of Pledged Collateral	99
Schedule of Expenditures of Federal Awards	100
Notes to Schedule of Expenditures of Federal Awards	101

OTHER DISCLOSURES

Independent Auditor’s Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102
Independent Auditor’s Report on Compliance for Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance	104
Schedule of Findings and Questioned Costs	107
Status of Prior Year Findings	111
Exit Conference	112

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES

Official Roster

June 30, 2023

<u>Title</u>	<u>Name</u>
City Commissioner/Mayor.....	Amanda Forrister
Mayor Pro-Tem.....	Rolf Hechler
City Commissioner.....	Destiny Michell
City Commissioner.....	Merry Jo Fahl
City Commissioner.....	Shelly Harrelson
City Manager.....	Bruce Swingle
Finance Director.....	Kerin Salcedo
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
Executive Director	Steven Rice
Assistant Executive Director.....	Kimberly Hoffman
Finance Director.....	Teresa Castaneda

BASIC FINANCIAL STATEMENT

INDEPENDENT AUDITOR'S REPORT

To Joseph M. Maestas, P.E.
New Mexico State Auditor
and
City Commission
City of Truth or Consequences
Truth or Consequences, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Truth or Consequences ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Housing Authority, which represents 7.97%, 5.44% and 9.96%, respectively, of the Assets, Net Position, and Revenue of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Housing Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements

OFFICE LOCATIONS

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

section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the City’s proportionate share of the net pension liability, the schedule of the City’s contributions, the schedule of the City’s proportionate share of the OPEB liability, and the schedule of the City’s contributions on pages 73 - 77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and 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 combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2 NMAC as noted in the table of contents is the responsibility of management and was derived from and relates 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 combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2 NMAC as noted in the table of is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
December 13, 2023

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION
June 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash, investments and cash equivalents	\$ 10,372,061	4,192,164	14,564,225	1,908,392
Investments	710,090	952,892	1,662,982	-
Receivables:				
Property taxes	31,497	-	31,497	-
Other taxes	1,419,971	-	1,419,971	-
Charges for services, net	-	762,108	762,108	-
Due from other governments	921	1,810	2,731	365,082
Other accounts receivables	30,464	-	30,464	-
Notes receivable	-	-	-	-
Lease receivable	59,257	23,678	82,935	-
Prepaid expenses	-	-	-	4,682
Accounts receivable - tenants, net	-	-	-	82,472
Due from other funds	9,772	(9,772)	-	-
Inventory	122,665	652,283	774,948	15,007
Total current assets	<u>12,756,698</u>	<u>6,575,163</u>	<u>19,331,861</u>	<u>2,375,635</u>
Noncurrent assets				
Lease receivable	710,802	28,371	739,173	-
Restricted cash and cash equivalents	1,501,060	127,575	1,628,635	282,773
Capital assets	24,942,908	51,945,803	76,888,711	9,530,024
Less: Accumulated depreciation	(12,273,102)	(15,852,913)	(28,126,015)	(6,569,219)
Total noncurrent assets	<u>14,881,668</u>	<u>36,248,836</u>	<u>51,130,504</u>	<u>3,243,578</u>
Total assets	<u>27,638,366</u>	<u>42,823,999</u>	<u>70,462,365</u>	<u>5,619,213</u>
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	1,108,934	475,260	1,584,194	362,841
Deferred Outflows - OPEB	437,895	279,966	717,861	171,620
Total deferred outflows	<u>1,546,829</u>	<u>755,226</u>	<u>2,302,055</u>	<u>534,461</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	314,429	1,328,895	1,643,324	41,823
Accrued payroll expenses	76,605	69,722	146,327	40,258
Accrued interest	4,412	32,195	36,607	-
Tenant deposit	-	-	-	32,927
Customer deposits	-	346,863	346,863	-
Due to other governments	-	-	-	252,835
Unearned revenue	-	-	-	5,560
Due within one year				
Bonds, notes and loans payable	428,588	324,377	752,965	49,474
Compensated absences	75,365	35,888	111,253	-
Total current liabilities	<u>899,399</u>	<u>2,137,940</u>	<u>3,037,339</u>	<u>422,877</u>
Due in more than one year				
Bonds, notes and loans payable	2,174,541	9,366,021	11,540,562	542,851
Compensated absences	150,731	52,847	203,578	15,717
FSS deposits	-	-	-	98,132
Accrued landfill closure costs	-	769,516	769,516	-
Net Pension Liability	5,228,871	2,240,944	7,469,815	1,637,133
Net OPEB Liability	1,053,282	673,411	1,726,693	325,901
Total noncurrent liabilities	<u>8,607,425</u>	<u>13,102,739</u>	<u>21,710,164</u>	<u>2,619,734</u>
Total liabilities	<u>9,506,824</u>	<u>15,240,679</u>	<u>24,747,503</u>	<u>3,042,611</u>
DEFERRED INFLOWS				
Deferred Inflows - Leases	835,170	56,023	891,193	-
Deferred Inflows - Pension	340,235	145,813	486,048	150,179
Deferred Inflows - OPEB	1,127,386	720,787	1,848,173	383,840
Total deferred inflows	<u>2,302,791</u>	<u>922,623</u>	<u>3,225,414</u>	<u>534,019</u>
NET POSITION				
Net investment in capital assets	10,066,677	26,402,492	36,469,169	2,368,481
Restricted for				
Special projects	3,960,489	-	3,960,489	-
Debt service	1,716,680	324,377	2,041,057	-
Capital outlay	2,628,490	-	2,628,490	-
Housing assistance payments	-	-	-	101,806
Committed To				
Subsequent year's expenditures	559,909	-	559,909	-
Unrestricted (Deficit)	(1,556,665)	689,054	(867,611)	106,757
Total net position	<u>\$ 17,375,580</u>	<u>27,415,923</u>	<u>44,791,503</u>	<u>2,577,044</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,509,996	1,094,038	1,573,980	832,789
Public safety	2,603,979	-	-	-
Public works	1,511,685	-	-	-
Culture and recreation	890,790	-	-	-
Health and welfare	310,322	-	-	-
Interest on long-term debt	306,908	-	-	-
Total governmental activities	<u>9,133,680</u>	<u>1,094,038</u>	<u>1,573,980</u>	<u>832,789</u>
Business-Type Activities				
Joint utility office	461,262	125,172	-	-
Electric	6,037,690	6,596,147	-	-
Water	1,107,448	1,483,585	-	-
WWTP	1,397,765	1,091,532	-	-
Airport	814,819	178,670	334,138	-
Solid Waste	2,099,446	2,422,954	-	-
Impact Fees	-	84,750	-	-
Cemetery	11,273	20,080	-	-
Golf Course	269,975	-	-	-
Total business-type activities	<u>12,199,678</u>	<u>12,002,890</u>	<u>334,138</u>	<u>-</u>
Total primary government	<u>\$ 21,333,358</u>	<u>13,096,928</u>	<u>1,908,118</u>	<u>832,789</u>
Component Unit				
Housing Authority	\$ 2,292,653	689,189	1,991,753	-

General revenues and transfers

Taxes

Property taxes

Gross receipts tax

Gasoline and motor vehicle taxes

Other taxes

Miscellaneous revenue

Transfers

Unrestricted investment earnings

Total general revenues and transfers

Change in net position

Net Position - beginning

Net position, ending

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Primary Government</u>			
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
<u>Activities</u>	<u>Activities</u>		<u>Unit</u>
(9,189)	-	(9,189)	-
(2,603,979)	-	(2,603,979)	-
(1,511,685)	-	(1,511,685)	-
(890,790)	-	(890,790)	-
(310,322)	-	(310,322)	-
(306,908)	-	(306,908)	-
<u>(5,632,873)</u>	<u>-</u>	<u>(5,632,873)</u>	<u>-</u>
-	(336,090)	(336,090)	-
-	558,457	558,457	-
-	376,137	376,137	-
-	(306,233)	(306,233)	-
-	(302,011)	(302,011)	-
-	323,508	323,508	-
-	84,750	84,750	-
-	8,807	8,807	-
-	(269,975)	(269,975)	-
<u>-</u>	<u>137,350</u>	<u>137,350</u>	<u>-</u>
<u>(5,632,873)</u>	<u>137,350</u>	<u>(5,495,523)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>388,289</u>
195,898	-	195,898	-
5,789,296	647,523	6,436,819	-
720,696	-	720,696	-
481,351	-	481,351	-
354,476	95,074	449,550	-
1,026,115	(1,026,115)	-	-
71,786	21,138	92,924	20,900
<u>8,639,618</u>	<u>(262,380)</u>	<u>8,377,238</u>	<u>20,900</u>
3,006,745	(125,030)	2,881,715	409,189
<u>14,368,835</u>	<u>27,540,953</u>	<u>41,909,788</u>	<u>2,167,855</u>
<u>\$ 17,375,580</u>	<u>27,415,923</u>	<u>44,791,503</u>	<u>2,577,044</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund 100	CI Reserve Funds 315	NMFA Projects Funds 360
ASSETS			
Cash, investments and cash equivalents	\$ 4,271,078	2,314,887	215,657
Restricted cash and cash equivalents	-	-	-
Investments	109,816	-	-
Receivables:			
Property taxes	31,497	-	-
Other taxes	1,158,379	-	-
Due from other governments	-	-	-
Miscellaneous receivables	29,554	-	-
Due from other funds	-	23,617	-
Leases receivable	770,059	-	-
Inventory	82,035	-	-
Total assets	\$ 6,452,418	2,338,504	215,657
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 175,701	-	34,278
Accrued payroll expenses	72,968	-	-
Due to Other Funds	16,737	-	19,697
Total liabilities	265,406	-	53,975
DEFERRED INFLOWS			
Property taxes	26,706	-	-
Leases	835,170	-	-
Total deferred inflows	861,876	-	-
FUND BALANCES			
Nonspendable:			
Inventory	82,035	-	-
Restricted to:			
Public safety	-	-	-
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Fire protection	-	-	-
Veteran's Wall	-	-	-
Debt service expenditures	-	-	-
Capital projects	-	2,338,504	161,682
Committed to:			
Subsequent year's expenditures	559,909	-	-
Unassigned	4,683,192	-	-
Total fund balances	5,325,136	2,338,504	161,682
Total liabilities, deferred inflows and fund balances	\$ 6,452,418	2,338,504	215,657

Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
41,214	3,484,014	10,326,850
1,075,192	425,868	1,501,060
600,274	-	710,090
-	-	31,497
-	261,592	1,419,971
-	921	921
-	910	30,464
-	30,589	54,206
-	-	770,059
-	40,630	122,665
<u>1,716,680</u>	<u>4,244,524</u>	<u>14,967,783</u>
-	104,274	314,253
-	3,637	76,605
-	8,000	44,434
<u>-</u>	<u>115,911</u>	<u>435,292</u>
-	-	26,706
-	-	835,170
<u>-</u>	<u>-</u>	<u>861,876</u>
-	40,630	122,665
-	326,198	326,198
-	956,607	956,607
-	1,590,762	1,590,762
-	1,085,772	1,085,772
-	1,150	1,150
1,716,680	-	1,716,680
-	128,304	2,628,490
-	-	559,909
-	(810)	4,682,382
<u>1,716,680</u>	<u>4,128,613</u>	<u>13,670,615</u>
<u>1,716,680</u>	<u>4,244,524</u>	<u>14,967,783</u>

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
June 30, 2023**

Total Fund Balance Governmental Funds Governmental Funds Balance Sheet	<u>Governmental Activities</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 13,670,615
Residual balance of Internal Service Funds are included within the governmental activities but not reported within the governmental funds.	45,035
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,669,806
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.	26,706
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,546,829
Defined benefit pension plan and other post employment benefit deferred inflowss are not financial resources and, therefore, are not reported in the funds.	(1,467,621)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(4,412)
Compensated absences	(226,096)
Bonds and notes payable	(2,603,129)
Net Pension liability	(5,228,871)
Net OPEB Liability	(1,053,282)
Net position of governmental activities (Statement of Net Position)	<u><u>\$ 17,375,580</u></u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	General Fund 100	CI Reserve Funds 315	NMFA Projects Funds 360
Revenues			
Taxes:			
Property	\$ 197,665	-	-
Gross receipts	5,460,392	-	-
Gasoline and motor vehicle	-	-	-
Other	58,901	-	-
Intergovernmental			
Federal capital grants	-	-	-
State capital grants	-	-	88,825
State operating grants	456,082	-	-
Charges for services	393,208	-	-
Licenses and fees	228,117	-	-
Investment income	33,740	2,170	-
Miscellaneous	90,254	-	-
Total revenues	6,918,359	2,170	88,825
Expenditures			
Current			
General government	2,848,906	47,844	-
Public safety	1,815,928	-	-
Public works	710,039	-	-
Culture and recreation	494,115	-	-
Health and welfare	303,324	-	-
Capital outlay	82,078	-	82,222
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	6,254,390	47,844	82,222
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	663,969	(45,674)	6,603
Other Financing Sources (Uses)			
Loan proceeds	-	-	19,079
Transfers, in	1,352,480	519,464	1,339,582
Transfers, out	(478,432)	(71,766)	(1,203,582)
<i>Total other financing sources (uses)</i>	<i>874,048</i>	<i>447,698</i>	<i>155,079</i>
Net change in fund balances	1,538,017	402,024	161,682
Fund balances, beginning of year	3,787,119	1,936,480	-
Fund balances, end of year	\$ 5,325,136	2,338,504	161,682

See Notes to Financial Statements

Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
-	-	197,665
254,022	74,882	5,789,296
-	720,696	720,696
-	422,450	481,351
-	720,589	720,589
23,375	-	112,200
-	1,117,898	1,573,980
-	458,408	851,616
-	-	228,117
32,494	3,382	71,786
-	263,822	354,076
<u>309,891</u>	<u>3,782,127</u>	<u>11,101,372</u>
2,932	447,752	3,347,434
-	542,185	2,358,113
-	653,522	1,363,561
-	281,531	775,646
-	-	303,324
-	382,117	546,417
442,329	-	442,329
307,484	-	307,484
<u>752,745</u>	<u>2,307,107</u>	<u>9,444,308</u>
<u>(442,854)</u>	<u>1,475,020</u>	<u>1,657,064</u>
-	118,782	137,861
1,965,028	407,440	5,583,994
<u>(1,507,355)</u>	<u>(1,354,744)</u>	<u>(4,615,879)</u>
<u>457,673</u>	<u>(828,522)</u>	<u>1,105,976</u>
14,819	646,498	2,763,040
<u>1,701,861</u>	<u>3,482,115</u>	<u>10,907,575</u>
<u><u>1,716,680</u></u>	<u><u>4,128,613</u></u>	<u><u>13,670,615</u></u>

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, 2023**

**Net Change in Fund Balances - Total Governmental Funds
(Statement of Revenue, Expenditures, and Changes
in Fund Balances)** **\$ 2,763,040**

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

Change in net position of internal service funds 4,041

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 555,787
Depreciation expense (656,297)

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 (1,768)

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 (197,177)
OPEB expense 291,110

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. (137,861)

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

Change in bonds, notes, and loans payable 442,329
Change in compensated absences (57,035)
Change in accrued interest on long-term debt 576

Change in net position in governmental activities **\$ 3,006,745**

**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, 2023**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Property	\$ 191,600	191,600	201,394	9,794
Gross Receipts	3,682,260	3,682,260	5,054,287	1,372,027
Other	180,579	180,579	58,105	(122,474)
Intergovernmental income:				
State operating grant	229,000	229,000	461,071	232,071
Charges for services	80,100	80,100	486,546	406,446
Licenses and fees	137,383	137,383	227,471	90,088
Fines and forfeits	4,000	4,000	2,558	(1,442)
Investment earnings	1,134	1,134	6,583	5,449
Miscellaneous	21,500	21,500	184,715	163,215
Total revenues	4,527,556	4,527,556	6,682,730	2,155,174
Expenditures				
Current				
General government	2,654,646	2,710,893	2,726,726	(15,833)
Public safety	2,122,764	2,202,631	1,806,872	395,759
Public works	787,699	856,612	688,503	168,109
Culture and recreation	605,569	669,283	498,882	170,401
Health and welfare	204,914	279,484	283,681	(4,197)
Capital outlay	-	-	75,116	(75,116)
Total expenditures	6,375,592	6,718,903	6,079,780	639,123
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(1,848,036)	(2,191,347)	602,950	2,794,297
Other Financing Sources (Uses)				
Transfers, in	1,507,048	1,507,048	1,352,480	(154,568)
Transfers, out	(473,000)	(473,000)	(478,432)	(5,432)
Total other financing sources (uses)	1,034,048	1,034,048	874,048	(160,000)
Net change in fund balances	(813,988)	(1,157,299)	1,476,998	2,634,297
Adjustments to revenues			235,629	
Adjustments to expenditures			(174,610)	
Net change in fund balance (GAAP)			\$ 1,538,017	

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 102,672	1,695,956	829,640	564,188
Investments	-	89,147	129,865	252,478
Receivables				
Charges for services	64,398	323,878	98,838	75,866
Due from other government	-	-	-	-
Lease Receivable	-	-	-	-
Due from other funds	41,056	121,994	-	-
Inventory	-	390,834	124,374	74,089
Total current assets	208,126	2,621,809	1,182,717	966,621
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	-	-
Lease Receivable	-	-	-	-
Capital assets	183,893	8,021,971	12,462,376	18,345,691
Less accumulated depreciation	(71,592)	(3,981,055)	(2,008,651)	(4,853,880)
Total noncurrent assets	112,301	4,040,916	10,453,725	13,491,811
Total assets	320,427	6,662,725	11,636,442	14,458,432
DEFERRED OUTFLOWS - PENSION RELATED	79,210	95,052	47,526	79,210
DEFERRED OUTFLOWS - OPEB RELATED	50,250	57,429	28,714	43,072
Total Deferred Outflows	129,460	152,481	76,240	122,282
LIABILITIES				
Current Liabilities				
Accounts payable	5,088	413,848	755,694	35,346
Accrued payroll expenses	8,498	15,473	10,440	6,971
Accrued compensated absences	4,131	9,338	2,001	8,812
Customer deposits	-	321,768	23,535	800
Accrued interest	-	-	32,195	-
Due to other funds	-	-	93,785	2,960
Current portion of long-term debt	-	66,095	86,928	66,354
Total current liabilities	17,717	826,522	1,004,578	121,243
Non-Current Liabilities				
Accrued compensated absences	12,180	22,673	5,069	451
Accrued landfill closure costs	-	-	-	-
Bonds, notes and loans	-	-	7,087,393	2,058,628
Net pension liability	373,491	448,189	224,094	373,491
Net OPEB Liability	120,869	138,135	69,068	103,602
Total non-current liabilities	506,540	608,997	7,385,624	2,536,172
Total liabilities	524,257	1,435,519	8,390,202	2,657,415
DEFERRED INFLOWS - LEASES	-	-	-	-
DEFERRED INFLOWS - PENSION RELATED	24,302	29,163	14,581	24,302
DEFERRED INFLOWS - OPEB RELATED	129,372	147,854	73,927	110,890
Total deferred inflows	153,674	177,017	88,508	135,192
NET POSITION				
Net investment in capital assets	112,301	3,974,821	3,279,404	11,366,829
Restricted for debt service	-	66,095	86,928	66,354
Unrestricted (Deficit)	(340,345)	1,161,754	(132,360)	354,924
Total net position	(228,044)	5,202,670	3,233,972	11,788,107
Total net position	\$ (228,044)	5,202,670	3,233,972	11,788,107

See Notes to Financial Statements

Business Type Activities				Governmental Activities
Airport Fund 509	Solid Waste Fund 505/507	Other Enterprise Funds	Total Total	Internal Service Fund 600
60,812	643,080	295,816	4,192,164	45,211
-	481,402	-	952,892	-
86,799	111,867	462	762,108	-
100	1,710	-	1,810	-
23,678	-	-	23,678	-
-	7,897	-	170,947	-
62,986	-	-	652,283	-
<u>234,375</u>	<u>1,245,956</u>	<u>296,278</u>	<u>6,755,882</u>	<u>45,211</u>
-	-	127,575	127,575	-
28,371	-	-	28,371	-
6,648,453	5,081,059	1,202,360	51,945,803	-
(1,983,539)	(2,469,893)	(484,303)	(15,852,913)	-
<u>4,693,285</u>	<u>2,611,166</u>	<u>845,632</u>	<u>36,248,836</u>	<u>-</u>
<u>4,927,660</u>	<u>3,857,122</u>	<u>1,141,910</u>	<u>43,004,718</u>	<u>45,211</u>
31,684	126,736	15,842	475,260	-
14,357	78,965	7,179	279,966	-
<u>46,041</u>	<u>205,701</u>	<u>23,021</u>	<u>755,226</u>	<u>-</u>
5,660	107,447	5,812	1,328,895	176
3,748	18,441	6,151	69,722	-
-	11,215	391	35,888	-
-	760	-	346,863	-
-	-	-	32,195	-
83,974	-	-	180,719	-
-	105,000	-	324,377	-
<u>93,382</u>	<u>242,863</u>	<u>12,354</u>	<u>2,318,659</u>	<u>176</u>
-	8,417	4,057	52,847	-
-	769,516	-	769,516	-
-	220,000	-	9,366,021	-
149,396	597,585	74,698	2,240,944	-
34,534	189,936	17,267	673,411	-
<u>183,930</u>	<u>1,785,454</u>	<u>96,022</u>	<u>13,102,739</u>	<u>-</u>
<u>277,312</u>	<u>2,028,317</u>	<u>108,376</u>	<u>15,421,398</u>	<u>176</u>
56,023	-	-	56,023	-
9,721	38,884	4,860	145,813	-
36,963	203,299	18,482	720,787	-
<u>102,707</u>	<u>242,183</u>	<u>23,342</u>	<u>922,623</u>	<u>-</u>
4,664,914	2,286,166	718,057	26,402,492	-
-	105,000	-	324,377	-
(71,232)	(598,843)	315,156	689,054	45,035
<u>4,593,682</u>	<u>1,792,323</u>	<u>1,033,213</u>	<u>27,415,923</u>	<u>45,035</u>
<u>4,593,682</u>	<u>1,792,323</u>	<u>1,033,213</u>	<u>27,415,923</u>	<u>45,035</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Operating Revenues				
Charges for Services	\$ 125,172	6,596,147	1,483,585	1,091,532
Total operating revenues	125,172	6,596,147	1,483,585	1,091,532
Operating Expenses				
General operating	158,118	5,089,144	697,314	403,562
Personnel services	293,949	533,507	148,378	418,200
Depreciation	4,667	331,308	133,080	432,377
Utilities	4,528	83,731	128,676	143,626
Total operating expenses	461,262	6,037,690	1,107,448	1,397,765
Operation income (loss)	(336,090)	558,457	376,137	(306,233)
Non-Operating Revenues (Expenses)				
Interest expense	-	-	(22,082)	-
Investment earnings	3,142	1,032	491	911
Gross receipts tax	-	439,119	63,208	49,008
Miscellaneous income (expense)	30,650	56,666	-	(20,968)
Grant income	-	-	-	-
Total non-operating revenue (expenses)	33,792	496,817	41,617	28,951
Income (loss) before contributions and transfers	(302,298)	1,055,274	417,754	(277,282)
Transfers, in	328,000	75,139	5,919,276	179,169
Transfers, out	-	(411,826)	(6,553,123)	(497,078)
Change in net position	25,702	718,587	(216,093)	(595,191)
Net Position, beginning	(253,746)	4,484,083	3,450,065	12,383,298
Net position, end of year	\$ (228,044)	5,202,670	3,233,972	11,788,107

Business Type Activities				Governmental Activities
Airport Fund 509	Solid Waste Fund 505/507	Other Enterprise Funds	Total Total	Internal Service Fund 600
178,670	2,422,954	104,830	12,002,890	14,305
178,670	2,422,954	104,830	12,002,890	14,305
586,516	1,333,475	77,710	8,345,839	68,664
76,019	628,605	174,156	2,272,814	-
139,793	121,507	9,302	1,172,034	-
12,491	15,859	20,080	408,991	-
814,819	2,099,446	281,248	12,199,678	68,664
(636,149)	323,508	(176,418)	(196,788)	(54,359)
-	-	-	(22,082)	-
388	14,741	433	21,138	-
-	96,188	-	647,523	-
(116)	-	50,924	117,156	400
334,138	-	-	334,138	-
334,410	110,929	51,357	1,097,873	400
(301,739)	434,437	(125,061)	901,085	(53,959)
285,248	101,798	172,400	7,061,030	58,000
(135,248)	(489,870)	-	(8,087,145)	-
(151,739)	46,365	47,339	(125,030)	4,041
4,745,421	1,745,958	985,874	27,540,953	40,994
4,593,682	1,792,323	1,033,213	27,415,923	45,035

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2023**

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 30,820	6,512,539	2,176,371	985,573
Cash paid for vendors and employees	(434,377)	(5,944,568)	(894,817)	(873,034)
Net cash provided (used) by operating activities	(403,557)	567,971	1,281,554	112,539
Cash flows from noncapital financing activities				
Government contributions	-	-	-	-
Gross receipts taxes	-	439,119	63,208	49,008
Miscellaneous income	30,650	56,666	-	(20,968)
Landfill closure costs	-	-	-	-
Transfers	328,000	(336,687)	(633,847)	(317,909)
Net cash provided (used) by noncapital financing activities	358,650	159,098	(570,639)	(289,869)
Cash Flows from Investing Activities				
Purchases of investments	-	(1,011)	(324)	(735)
Interest on investments	3,142	1,032	491	911
Net cash (used) provided by investing activities	3,142	21	167	176
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(5,830,369)	20,968
Interest paid	-	-	(22,082)	-
Principal payments on bonds, loans and notes payable	-	(65,139)	5,203,877	(64,492)
Net cash provided (used) by capital and related financing activities	-	(65,139)	(648,574)	(43,524)
Net increase (decrease) in cash and cash equivalents	(41,765)	661,951	62,508	(220,678)
Cash and cash equivalents, beginning of year	144,437	1,034,005	767,132	784,866
Cash and cash equivalents, end of year	\$ 102,672	1,695,956	829,640	564,188
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (336,090)	558,457	376,137	(306,233)
Noncash items				
Depreciation expense	4,667	331,308	133,080	432,377
PERA pension plan expense	14,082	16,900	8,449	14,082
RHC OPEB plan expense	(33,406)	(38,180)	(19,088)	(28,634)
Adjustments to operating income (loss) to net cash provided by operating activities:				
Change in assets and liabilities:				
Accounts receivable	-	54,694	900	(10,390)
Lease receivable	-	-	-	-
Inventory	(45,509)	(65,569)	25,237	-
Accounts payable	(2,664)	(311,943)	726,833	21,374
Accrued payroll expenses	766	2,856	2,892	(3,275)
Accrued compensated absences	3,918	3,996	1,066	(14,548)
Accrued landfill closure costs	-	-	-	-
Interest payable	-	-	22,082	-
Due to/from other funds	(9,321)	(26,370)	1	7,686
Deferred inflows - leases	-	-	-	-
Meter deposits	-	41,822	3,965	100
Net cash provided (used) by operating activities	\$ (403,557)	567,971	1,281,554	112,539

See Notes to Financial Statements

Business Type Activities				Governmental Activities
Airport Fund 509	Solid Waste Fund 505/507	Other Enterprise Funds	Total	Internal Service Fund 600
217,311	2,628,784	110,325	12,661,723	\$ 14,305
(582,475)	(2,207,105)	(272,554)	(11,208,930)	(68,582)
(365,164)	421,679	(162,229)	1,452,793	(54,277)
334,138	-	-	334,138	-
-	96,188	-	647,523	-
(116)	-	51,357	117,589	400
-	(52,842)	-	(52,842)	-
150,000	(388,072)	172,400	(1,026,115)	58,000
484,022	(344,726)	223,757	20,293	58,400
-	(14,635)	-	(16,705)	-
388	14,741	-	20,705	-
388	106	-	4,000	-
(135,248)	(193,762)	-	(6,138,411)	-
-	-	-	(22,082)	-
-	(100,000)	-	4,974,246	-
(135,248)	(293,762)	-	(1,186,247)	-
(16,002)	(216,703)	61,528	290,839	4,123
76,814	859,783	361,863	4,028,900	41,088
60,812	643,080	423,391	4,319,739	\$ 45,211
(636,149)	323,508	(176,418)	(196,788)	(54,359)
139,793	121,507	9,302	1,172,034	-
5,633	22,534	2,816	84,496	-
(9,545)	(52,496)	(4,773)	(186,122)	-
100,982	(3,412)	319	143,093	-
(28,371)	-	-	(28,371)	-
(648)	-	-	(86,489)	-
(2,246)	11,787	821	443,962	82
1,659	6,327	1,757	12,982	-
(662)	2,820	3,975	565	-
-	(11,097)	-	(11,097)	-
-	-	-	22,082	-
83,974	1	(28)	55,943	-
(19,584)	-	-	-	-
-	200	-	46,087	-
(365,164)	421,679	(162,229)	1,452,793	\$ (54,277)

See Notes to Financial Statements

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). Blended component unit, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the government.

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39, and No 61.

The Truth or Consequences Housing Authority (The Authority) has been determined to be a component unit of the City that should be discretely presented in the City's financial statements pursuant to the criteria described above. The authority was audited by another auditor and has separately issued financial statements and all exhibits, schedules and footnotes are included in those financial statements. Excerpts of the component unit's activities that we deemed material are included in the City's financial report. The Authority's separately issued financial statements may be obtained directly from their administrative office as follows: Executive Director, Truth or Consequences Housing Authority, 108 South Cedar, Truth or Consequences, New Mexico 87901.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and the fiduciary fund – agency financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived tax revenues (gross receipts taxes, cigarette taxes and gas taxes) are recognized when the underlying transaction takes place. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **Capital Improvement Reserve Funds**— This is a reserve fund that is used to fund capital outlay, maintenance, and repairs. In 2020-2023 it was used for technology equipment, roof renovations, vehicles, renovation of Ralph Edwards Park, and pool repairs. The city received loan proceeds to refund these expenditures in 2002-2023. The loan came from new money on PPRF-4698 a refund of loan PPRF-2246 NMFA. This is a Capital Projects Fund.

The **NMFA Projects Funds** -Projects funded by the New Mexico Finance Authority Loan proceeds and grants. For 2020-2022 these projects included a City-Wide Water Preliminary Engineering Report, a River Walk Feasibility Study, and a Sanitary Sewer Asset Management Plan. This is a Capital Projects Fund.

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

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 **Wastewater 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.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The ***Solid Waste*** fund accounts for the activities of the City's solid waste services.

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.

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 OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

The City estimates the allowance for uncollectible accounts based on the day's 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.

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position (Continued)

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. Significant estimates in the City’s financial statements include the allowance for uncollectible accounts in the joint utility fund, depreciation on capital assets, net pension liability calculations, the current portion of accrued compensated absences, and the estimate for landfill closure and postclosure costs.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

The city follows the 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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, 2023, 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, 2023.

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

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

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2023, the City had the following deposits and investments:

Demand deposits	\$	15,014,449
Petty cash		1,040
Certificates of deposit		1,216,082
State Treasurer's LGIP		549,079
Cash with fiscal Agent		<u>1,075,192</u>
Total	\$	<u>17,855,842</u>
Governmental funds	\$	12,583,211
Proprietary funds		<u>5,272,631</u>
Total	\$	<u>17,855,842</u>

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2023. 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.

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating*</u>
New Mexico LGIP	[22] day WAM(R), [86] day WAM (F)	<u>549,079</u>	AAAM
		\$ <u>549,079</u>	

*Based off Moody's rating

In addition to the investment in LGIP above there are \$1,216,082 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, 2023 the LGIP WAM (R) was 22 days and WAM (F) was 86 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
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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 noninterest 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, 2023, \$461,906 of the City's bank balances of \$16,628,242, were exposed to custodial credit risk. The collateral pledged is listed in the table of contents of this report and as listed below.

	First Saving Bank
Deposits in Bank	
Bank Deposits	\$ 15,412,160
Certificates of Deposit	1,216,082
Total on Deposit	<u>16,628,242</u>
Less: FDIC insurance	(250,000)
Total uninsured public funds	<u>\$ 16,378,242</u>
 Pledged Collateral Required:	
50% on deposits	\$ 8,189,121
 Pledged Collateral at June 30, 2023	<u>15,916,336</u>
Excess (Deficiency)	<u>\$ 7,727,215</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, 2023, \$0 of the Housing Authority's bank balance of \$2,132,609 was exposed to custodial credit risk. Although the \$1,255,416 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, 2023.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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, 2023:

Investment in	Investment Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
New Mexico LGIP	\$ 549,079	-	-	549,079
Total	549,079	-	-	549,079

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 4. RECEIVABLES

Governmental receivables as of June 30, 2023 are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 31,497	-	31,497
Other taxes:			
Gross receipts	1,135,529	193,455	1,328,984
Franchise	22,850	-	22,850
Gasoline	-	12,034	12,034
Other	-	56,103	56,103
Grants receivable	-	921	921
Miscellaneous receivables	29,554	910	30,464
	<u>\$ 1,219,430</u>	<u>263,423</u>	<u>1,482,853</u>

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 \$26,706 for the year ended June 30, 2023.

Proprietary fund receivables as of June 30, 2023 are as follows:

	<u>Major Enterprise Funds</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Charges for services	\$ 1,372,238	462	1,372,700
Less: Allowance for uncollectible accounts	(610,592)	-	(610,592)
Other receivables:			
Intergovernmental:			
Federal		-	
Miscellaneous receivables	1,810	-	1,810
Totals	<u>\$ 763,456</u>	<u>462</u>	<u>763,918</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 4. RECEIVABLES (CONTINUED)

Component Unit

As of June 30, 2023, the Housing Authority had the following receivables:

Tenant receivables	\$	59,343
Allowance for doubtful accounts - tenants		-
Grants receivable		<u>23,129</u>
Total	\$	<u><u>82,472</u></u>

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental Activities	Balance June 30, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Non-Depreciable Assets					
Land	\$ 3,925,799		-	-	3,925,799
Construction in progress	1,121,646	115,335	-	-	1,236,981
Total non-depreciable assets	5,047,445	115,335	-		5,162,780
Depreciable Assets					
Buildings and improvement	9,349,795	28,471	-	-	9,378,266
Land Improvements	563,011	-	-	-	563,011
Equipment	2,636,330	72,860	-	-	2,709,190
Infrastructure	2,753,089	226,712	-	-	2,979,801
Vehicles	4,037,451	112,409	-	-	4,149,860
Total depreciable assets	19,339,676	440,452			19,780,128
Accumulated Depreciation					
Building and improvements	(5,719,635)	(323,168)	-	-	(6,042,769)
Land Improvements	(36,040)	(2,036)	-	-	(38,076)
Equipment	(2,151,503)	(121,563)			(2,273,053)
Infrastructure	(1,011,743)	(57,165)			(1,068,902)
Vehicles	(2,697,884)	(152,435)			(2,850,302)
Total Accumulated Depreciation	(11,616,805)	(656,297)			(12,273,102)
Governmental Capital Assets, net	\$ 12,770,316	(100,510)	-		12,669,806

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

Governmental Activities:	
General Government	\$ 53,965
Public safety	286,929
Public works	172,862
Public health and welfare	8,167
Culture and recreation	134,374
	<u>\$ 656,297</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2022	Additions	Transfer	Deletions	Balance June 30, 2023
Non-depreciable assets:					
Land	\$ 2,623,071	-	-	-	2,623,071
Construction in progress	2,091,622	2,011,972	-	-	4,103,594
Total non-depreciable assets	4,714,693	2,011,972	-	-	6,726,665
Depreciable assets:					
Building & Improvements	5,390,687	-	-	-	5,390,687
Land Improvements	45,663	-	-	-	45,663
Utility plant	26,775,046	3,818,396	-	-	30,593,442
Equipment	5,418,153	6,763	-	(52,188)	5,372,728
Vehicles	3,454,539	375,089	-	(13,010)	3,816,618
Total depreciable assets	41,084,088	4,200,248	-	(65,198)	45,219,138
Accumulated depreciation:					
Land Improvements	(4,095)	(2,283)	-	-	(6,378)
Building and improvements	(1,826,036)	(107,583)	-	-	(1,933,619)
Utility plant	(7,145,940)	(664,495)	-	-	(7,810,435)
Equipment	(3,452,048)	(160,064)	-	31,220	(3,580,892)
Vehicles	(2,296,990)	(237,609)	-	13,010	(2,521,589)
Total accumulated depreciation	(14,725,109)	(1,172,034)	-	44,230	(15,852,913)
Business-type activities capital assets, net	\$ 31,073,672	5,040,186	-	(20,968)	36,092,890

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

Business-Type Activities:	
Joint Utility Fund	\$ 4,667
Electric	331,308
Water	133,080
WWTP	432,377
Airport	139,793
Solid Waste	121,507
Golf Course Fund	9,296
Cemetery Fund	6
	<u>\$ 1,172,034</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 5. CAPITAL ASSETS (CONTINUED)

The following summarizes changes in capital assets activity for the Authority during fiscal year 2023.

Component Unit	Balance June 30, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets not being depreciation:					
Land	\$ 637,536	-	-	-	637,536
Construction in progress	-	11,693	-	-	11,693
Total capital assets not being depreciated	637,536	11,693	-	-	649,229
Depreciable assets:					
Land improvements	906,554	-	-	11,904	917,658
Buildings and improvements	6,852,522	66,542	-	(39,943)	6,879,121
Dwelling equipment	449,559	28,060	-	(21,360)	456,259
Non-dwelling equipment	602,691	79,404	37,996	(16,342)	627,757
Total depreciable assets	8,811,326	174,006	37,996	(66,541)	8,880,795
Accumulated depreciation:					
Land improvements	(652,658)	(35,383)	-	(39,128)	(727,169)
Buildings and improvements	(4,947,465)	(111,237)	-	72,854	(4,985,848)
Dwelling equipment	(249,822)	(27,100)	-	(50,071)	(326,993)
Non-dwelling equipment	(567,425)	(16,123)	(37,996)	16,343	(529,209)
Total accumulated depreciation	(6,417,370)	(189,843)	(37,996)	(2)	(6,569,219)
Component unit capital assets, net	\$ 3,031,492	(4,144)	-	(66,543)	2,960,805

Depreciation expense for the year ended June 30, 2023, totaled \$189,843 for the Authority.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers and advances consisted of the following as of June 30, 2023:

Governmental Funds	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,352,480	478,432
Corrections Fund	180,000	-
Municipal Street	-	105,000
Municipal Pool	150,000	-
Lodgers' Tax	-	55,000
American Rescue Plan	-	266,737
PD GRT	-	902,048
CI Reserve	519,464	71,766
NMFA Projects	1,339,582	1,203,582
Water Trust Board Projects	71,000	25,959
Debt Service	1,965,028	1,507,355
Other State Funded Projects	6,440	-
Business-Type Funds		
Joint Utility Office	328,000	-
Electric Fund	75,139	411,826
Water Fund	5,919,276	6,553,123
WWTP	179,169	497,078
Solid Waste Fund	101,798	489,870
Golf Course	170,000	-
Municipal Airport	285,248	135,248
Impact Fees	2,400	-
Internal Service	58,000	-
Net Transfers	\$ <u>12,703,024</u>	<u>12,703,024</u>

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Governmental Funds	<u>Due To</u>	<u>Due From</u>
General	\$ 16,737	\$ -
CI Reserve	-	23,617
NMFA Projects	19,697	-
State Library	8,000	-
Other State Funded Projects	-	30,589
Business-Type Funds		
Joint Utility Office	-	41,056
Electric Fund	-	121,994
Water Fund	93,785	-
WWTP	2,960	-
Solid Waste Fund	-	7,897
Airport	<u>83,974</u>	<u>-</u>
Net Total	<u>\$ 225,153</u>	<u>\$ 225,153</u>

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, 2023 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, 2023 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities

During the year ended June 30, 2023, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023	Due Within One Year
Police Department					
Building	\$ 58,476	-	14,311	44,165	14,545
2020 Refunding	938,170		115,307	822,863	115,770
NMFA Fire Pumper	46,689	-	23,333	23,356	23,356
Law Enforcement					
Equipment	41,967	-	20,973	20,994	20,994
Disadvantaged Funding					
Infrastructure	228,432	-	-	228,432	-
Infrastructure and IT	593,321	-	113,071	480,250	114,265
Refunding Recreational					
Loan	1,000,542	-	137,126	863,416	139,658
Colonias Infrastructure	-	19,079	5,000	14,079	-
Cantrell Dam	-	86,001	-	86,001	-
Booster Station	-	32,781	13,208	19,573	-
Total Notes Payable	2,907,597	137,861	442,329	2,603,129	428,588
Compensated Absences	169,061	57,035	-	226,096	75,365
Total Long-term debt	\$ 3,076,658	194,896	442,329	2,829,225	503,953

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, 2023, the City has an outstanding balance of \$44,165.

On September 18, 2020, the city refinanced the October 13, 2009 loan of \$2,046,949 loan for \$1,124,188 from the New Mexico Finance Authority. The loan was funded on September 18, 2020. The note matures on May 1, 2030 and accrues interest at rates from 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, 2023, the City has an outstanding balance of \$822,863.

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

of principal and interest are paid from an interception of the State Fire Marshalls allocation. As of June 30, 2023, the City has an outstanding balance of \$23,356.

On June 28, 2018, the City borrowed \$103,833 from the New Mexico Finance Authority. The note matures on May 1, 2024 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, 2023, the City has an outstanding balance of \$20,994.

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 \$250,197 and \$23,153, respectively. As of June 30, 2023, the City has an outstanding balance of \$228,432 (PPRF-4968-C), \$480,250 (PPRF-4968 B), and \$863,416 (PPRF-4968-A) respectively. For a total of \$1,572,098.

On January 21, 2022, the City had a grant/loan agreement with the New Mexico Finance Authority. The grant and loan are \$450,000 and \$300,000, respectively. The note matures on June 1, 2043 and accrues interest at a rate of .25% per annum. The proceeds of the grant/loan are to be used for flood prevention and will consist of planning, designing and reconstruction of Cantrell Dam. The payments of principal and interest are paid from pledged system revenues and are due June 1 of each year starting on June 1, 2024. As of June 30, 2023, the loan has not been fully drawn down. The City has an outstanding balance of \$86,001.

On January 22, 2022, the City had a grant/loan agreement with the New Mexico Finance Authority. The grant and loan are \$900,000 and \$100,000, respectively. The note matures on June 1, 2044 and accrues interest at a rate of .0% per annum. The proceeds of the grant/loan are to be used for the Colonias Infrastructure improvements. The payments of principal are paid from pledged system revenues and are due June 1 of each year starting on June 1, 2024. As of June 30, 2023, the loan has not been fully drawn down. The City has an outstanding balance of \$14,079.

On October 30, 2020, the City had a grant/loan agreement with the New Mexico Finance Authority. The grant and loan are \$384,688 and \$256,458, respectively. The note matures on June 1, 2042 and accrues interest at a rate of .025% per annum. The proceeds of the grant/loan are to be used for the design and construction of two booster station improvements. The payments of principal are paid from pledged system revenues and are due June 1 of each year starting on June 1, 2023. As of June 30, 2023, the loan has not been fully drawn down. The City has an outstanding balance of \$19,573.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the governmental activities debt as of June 30, 2023, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Admin Fees	Total
2024	428,588	24,330	1,684	454,602
2025	388,232	20,597	1,380	410,209
2026	392,418	16,587	1,094	410,099
2027	381,605	12,626	809	395,040
2028	386,050	8,438	554	395,042
2029-2030	506,583	5,010	282	511,875
	<u>\$ 2,483,476</u>	<u>87,588</u>	<u>5,803</u>	<u>2,576,867</u>

Debt included in amortization schedule	\$ 2,483,476
Debt not fully funded:	
Colonias Infrastructure	14,079
Cantrell Dam	86,001
Booster Station	19,573
Total debt	<u>\$ 2,603,129</u>

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

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities

	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023	Due Within One Year
Revenue Bonds					
Series 2012 Solid					
Waste Revenue	\$ 425,000	-	100,000	325,000	105,000
Total Revenue Bonds	<u>425,000</u>	<u>-</u>	<u>100,000</u>	<u>325,000</u>	<u>105,000</u>
Loans Payable					
NMFA	116,782	-	12,838	103,944	12,879
NMFA	82,871	-	8,287	74,584	8,287
NMFA TorC 19 (66%)	544,245	-	42,455	501,790	43,572
NMFA TorC 19 (34%)	280,744	-	21,391	258,843	22,476
PER/Asset Mgmt Plan	40,012	-	6,653	33,359	3,297
Waste Water Project Design/Construction	46,153	-	3,846	42,307	3,846
Phase 2	50,262	-	3,867	46,395	3,867
NMFA	36,694	-	18,225	18,469	15,370
NMFA	131,234	-	65,139	66,095	66,095
NMFA	8,473	-	450	8,023	450
USDA Debt	819,000	-	16,000	803,000	17,000
USDA WWTP	689,123	-	13,470	675,653	13,659
USDA WWTP	304,192	-	5,408	298,784	5,506
Water System					
Improvement	-	5,128,690	-	5,128,690	-
Equipment Loan	1,081,788	164,095	-	1,245,883	-
High-risk Water Lines	59,579	-	-	59,579	-
Total Loans Payable	<u>4,291,152</u>	<u>5,292,785</u>	<u>218,539</u>	<u>9,365,398</u>	<u>219,377</u>
Compensated					
Absences	88,869	-	134	88,735	35,888
Total Long-term debt	<u>\$ 4,805,021</u>	<u>5,292,785</u>	<u>318,673</u>	<u>9,454,133</u>	<u>360,265</u>

Revenue Bonds

On February 3, 2012, the City issued solid waste revenue bond in the amount of \$1,260,000 for the construction of the solid waste collection center and purchase of any equipment necessary for optimal operation. The bond bears interest at 3.95% per annum and matures on June 1, 2026. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the joint utility system which includes revenues from the solid waste collection center. As of June 20, 2023, the City has an outstanding balance of \$325,000.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the revenue bonds as of June 30, 2023, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	105,000	12,838	117,838
2025	110,000	8,690	118,690
2026	110,000	-	110,000
Total	\$ 325,000	21,528	346,528

Loans Payable

On December 30, 2011, the City borrowed \$256,000 from the New Mexico Finance Authority. The note matures on June 1, 2032, with 0% interest rate with an administrative fee component of ¼ of 1%. The proceeds of the loan were ground storage tanks. The payments of principal and interest are paid from net revenues from the City's utility system. At June 30, 2023 the City has an outstanding balance of \$103,944.

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, 2023 the City has an outstanding balance of \$74,584.

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 ¼ of 1%. The proceeds of the loan were used to refinance Revenue Bonds 95, 96, and 98. The payments of principal and interest are paid from pledged net revenues from the City's utility system. At June 30, 2023 the City has an outstanding balance of \$760,633.

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 ¼ 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, 2023 the City has an outstanding balance of \$33,359.

One March 3, 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, 2023 the City has an outstanding balance of \$42,307.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2023 the City has an outstanding balance of \$46,395.

On August 2, 2019 the City refinanced a note from the NMFA in the amount of \$500,318. The note matures May 1, 2024. The proceeds of the loan were used to refund the New Mexico Finance Authority loan no. PPRF-1704 (\$391,199) and New Mexico environmental department loan no. RIP 95-16 (\$109,119). The current year principal paid was \$123,378 (\$65,339 for Electric and \$18,225 for Water) respectively. The payments of principal and interest are paid from pledged net revenues from the City's Joint Utility System. At June 30, 2023 the City has an outstanding balance of \$84,564 (\$66,095 Electric and \$18,469 Water).

On September 20, 2019 the City borrowed \$9,000 for the preparation of a municipal water system preliminary engineering report. Colonias Infrastructure project fund loan/grant. NM Colonias infrastructure board (CIB) and the NM Finance Authority. The loan maturity is on June 1, 2041. As of June 30, 2023, the City has an outstanding balance of \$8,023.

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. As of June 30, 2023, the City has an outstanding balance of \$803,000.

On September 5, 2019 the City borrowed \$715,000 for Phase 2B Improvements to include rehabilitation of existing biological treatment processes and lift station upgrades to the Clancy, North Date, Nickel, and Mims lift stations. Loan maturity is September 5, 2059. Loan payments begin one year after closing on 9/5/2020. The interest rate is 1.625%. Funding was administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development. As of June 30, 2023, the City has an outstanding balance of \$675,653.

On September 5, 2019 the City borrowed \$315,000 for Phase 2B Improvements to include rehabilitation of existing biological treatment processes and lift station upgrades to the Clancy, North Date, Nickel, and Mims lift stations. Loan maturity is September 5, 2059. Loan payments begin one year after closing on 9/5/2020. The interest rate is 2.125%. Funding was administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development. As of June 30, 2023, the City has an outstanding balance of \$298,784.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

On June 28, 2019, the City borrowed \$620,543 and had \$620,542 in grant for a total of 1,241,085 from the New Mexico Finance Authority Drinking Water State Revolving Loan Fund Loan and Subsidy Agreement. A portion of the Loan funds made available under this Agreement pursuant to the DWSRLF Act and Safe Drinking Water Act may be forgiven, if forgiven, will not be required to be repaid. The note matures on June 1, 2041 and accrues interest at 0.25% per annum. The proceeds of the loan were used for funding the acquisition, design, construction, improvement, expansion, repair and rehabilitation of drinking water supply facilities as authorized by the Safe Drinking Water Act. As of June 30, 2023, the City has an outstanding balance of \$59,579.

On March 17, 2022, the City established a bridge loan of \$5,542,045 available from the Bank of the Southwest. As of June 30, 2023 long term financing has not been obtained. The bridge loan accrues interest at 5% per annum. The proceeds of the loan were used for downtown distribution waterline replacement/rehabilitation and various other water projects. As of June 30, 2023, the City has an outstanding balance on the bridge loan of \$5,128,690.

On July 22, 2021, the City borrowed \$1,320,907 from New Mexico Finance Authority. The funds will be used for equipment related to the north transformer. The loan matures May 1, 2031 with an interest rate of 2%. Principal and interest will be due monthly with payments starting July 1, 2024. As of June 30, 2023, only \$1,245,883 of the available loan proceeds have been drawn down.

The annual requirement to amortize the loan payables as of June 30, 2023, including interest payments, are as follows:

Year Ending June, 30,	Principal	Interest	Total
2024	\$ 219,377	60,817	280,194
2025	140,227	57,936	198,163
2026	139,489	55,190	194,679
2027	142,994	52,305	195,299
2028	145,589	49,304	194,893
2029-2033	746,130	194,471	940,601
2034-2038	241,411	127,387	368,798
2039-2043	256,596	98,671	355,267
2044-2048	277,413	77,465	354,878
2049-2053	306,496	48,408	354,904
2054-2058	333,784	24,192	357,976
2059	50,570	638	51,208
	<u>\$ 2,931,246</u>	<u>844,570</u>	<u>3,775,816</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Debt included in amortization schedule	\$	2,931,246
Debt not fully funded/bridge loan:		
Water Improvement		5,128,690
Equipment Loan		1,245,883
High-risk Water Lines		59,579
Total debt	\$	<u>9,365,398</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:

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

Component Unit

The following summarizes changes in long-term liability activity during fiscal year 2023:

	<u>Balance 6/30/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2023</u>	<u>Due Within One Year</u>
USDA Loans Hacienda Orgullo #1	\$ 203,250	-	26,031	177,219	24,259
USDA Loans Hacienda Orgullo #2	63,178	-	8,139	55,039	7,584
USDA Loan Puesta Del Sol	375,733	-	15,666	360,067	17,631
Compensated absences	31,197	69,250	84,730	15,717	-
Total Long-term debt	\$ 673,358	69,250	134,566	608,042	49,474

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

Compensated absences decreased by \$15,480 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2023
USDA Loan Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140	177,219
USDA Loan Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000	55,039
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788	360,067
Total Loans						<u>\$ 592,325</u>

Debt service requirements on long-term debt at June 30, 2023, are as follows:

Fiscal Year Ending June 30, 2023	Principal	Interest	Total Debt Service
2024	\$ 49,474	43,996	93,470
2025	52,006	41,465	93,471
2026	54,818	38,652	93,470
2027	57,945	35,525	93,470
2028	61,427	32,043	93,470
2029-2033	274,237	93,582	367,819
2034	42,418	2,125	44,453
	<u>\$ 592,325</u>	<u>287,388</u>	<u>879,713</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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

disposal. The contract shall remain in effect for 3 years until it is terminated pursuant to the terms of the JPA.

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

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 10. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT PLAN

General Information about the Pension Plan

Plan description. The 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/Audit 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 PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), 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 PERA Fund, unless specifically excluded. PERA issues a publicly available annual comprehensive financial report that can be obtained at <https://www.nmpera.org/financial-overview/>.

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

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 65 with 5 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 contributions increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

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

PERA Contribution Rates and Pension Factors in effect during FY22						
	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%	9.92%	18.24%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 – 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.65%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.80%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.80%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.30%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 – 5						
Municipal Police Plan 1	7.0%	8.5%	10.65%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.65%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	19.15%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	19.15%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	19.15%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	11.0%	11.65%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	11.0%	18.15%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	11.0%	21.90%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	15.8%	21.90%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	19.2%	21.90%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.30%	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%	9.92%	18.24%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	7.28%	27.37%	3.0%	3.0%	90%

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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, 2023, the City reported a liability of \$7,469,815 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2021. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2022. 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, 2023, the City reported a liability of \$5,725,531 for its proportionate share of the net pension liability. At June 30, 2022, the City’s proportion was .32280% percent, which was a decrease of 0.01126 % from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized PERA Fund Division Municipal General pension expense of \$623,692. At June 30, 2023, 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	\$ 22,952	139,243
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	566,631	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	241,609	126,760
City’s contributions subsequent to the measurement date	<u>360,775</u>	<u>-</u>
Total	<u>\$ 1,191,967</u>	<u>266,003</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

\$360,775 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, 2024. 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:		
2024	\$	254,699
2025		85,399
2026		(222,304)
2027		447,395
2028		
Thereafter		-

For PERA Fund Division Municipal Police, at June 30, 2023, the City reported a liability of \$1,744,284 for its proportionate share of the net pension liability. At June 30, 2022, the City’s proportion was 0.21704% percent, which was a decrease of 0.03168% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized PERA Fund Division Municipal Police pension expense of \$137,876. At June 30, 2023, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,436	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	152,412	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	75,458	220,045
City’s contributions subsequent to the measurement date	<u>118,921</u>	<u>-</u>
Total	<u>\$ 392,227</u>	<u>220,045</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

\$118,921 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date June 30, 2020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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	
2024	\$ (9,483)
2025	17,731
2026	(76,205)
2027	121,218
2028	-
Thereafter	-

Component Unit

For PERA Fund Municipal General Division, at June 30, 2023, the Truth or Consequences Housing Authority reported a liability of \$1,637,133 for its proportionate share of the net pension liability. At June 30, 2022, the Housing Authority’s proportion was .092300%, which was a decrease of 0.008719% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Truth or Consequences Housing Authority recognized PERA Fund Municipal General Division pension expense of \$140,584. At June 30, 2023, the Housing Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,563	39,814
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	162,020	-
Changes in proportion and differences between Authority’s contributions and proportionate share of contributions	93,987	110,365
Authority’s contributions subsequent to the measurement date	<u>100,271</u>	<u>-</u>
Total	<u>\$ 362,841</u>	<u>150,179</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

\$100,271 reported as deferred outflows of resources related to pensions resulting from the Housing Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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	
2024	\$ 38,927
2025	22,638
2026	(77,100)
2027	127,926
2028	-
Thereafter	-

Actuarial assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization Method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization Period	25 years
Actuarial assumptions	
Investment Rate of Return	7.25% annual rate
Projected Salary increases	3.25% to 13.50% annual rate
Includes Inflation at	2.5%
Mortality assumption	The mortality assumptions are based on the RPH-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 generational. 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, 2013 through June 20, 2017 (economic)

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2022. These assumptions were adopted by the Board use in the June 30, 2021 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	6.35%
Risk Reduction & Mitigation	19.50%	1.90%
Credit Oriented Fixed Income	15.00%	4.45%
Real Assets	20.00%	5.10%
Multi-Risk Allocation	10.00%	6.65%
Total	<u>100.0%</u>	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2022. 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:

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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	\$ 8,663,955	5,725,531	3,284,477

PERA Fund Division Municipal Police

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 2,616,954	1,744,284	1,030,277

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, 2023 the City had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2023.

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	\$ 2,477,333	1,637,133	939,149

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

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

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

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

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, 2022, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,759
Current active members	<u>92,520</u>
	<u>157,371</u>
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal fire	756
Educational Retirement Board	<u>49,224</u>
	<u>92,520</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 \$123,729 for the year ended June 30, 2023.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Contributions – Component Unit – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$14,617 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$1,726,693 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2022. At June 30, 2022 the City’s proportion was 0.0747 percent.

For the year ended June 30, 2023, the City recognized OPEB income of \$394,795. At June 30, 2023 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	\$ 28,720	255,933
Changes in assumptions	368,435	1,279,978
Change in proportion	214,411	312,262
Net difference between projected and actual earnings on OPEB plan investments	23,809	-
Employer contributions subsequent to the measurement date	82,486	-
Total	\$ 717,861	1,848,173

Deferred outflows of resources totaling \$82,486 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, 2023. 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, 2023**

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

Year ended June 30:		
2024	\$	(383,024)
2025		(278,463)
2026		(146,151)
2027		(232,220)
2028		(172,940)
Total	\$	<u>(1,212,798)</u>

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

At June 30, 2023, the Authority reported a liability of \$325,901 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2022. At June 30, 2022, the Authority's proportion was 0.01410 percent.

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$69,266. At June 30, 2023 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	\$ 5,421	48,305
Changes in assumptions	69,540	241,587
Changes in proportions	77,548	93,948
Net difference between projected and actual earnings on OPEB plan investments	4,494	-
Employer contributions subsequent to the measurement date	<u>14,617</u>	<u>-</u>
Total	\$ <u>171,620</u>	<u>383,840</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

Deferred outflows of resources totaling \$14,617 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, 2023. 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:	
2024	\$ (66,272)
2025	(50,265)
2026	(35,211)
2027	(39,320)
2028	(35,769)
Total	\$ <u>(226,837)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022, using the following actuarial assumptions:

Valuation date	June 30, 2021
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	2.30% for ERB; 2.50% for PERA
Projected payroll increases	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, 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
Mortality	ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	0.4%
U.S. equity – large cap	6.6
Non U.S. – emerging markets	9.2
Non U.S. – developed equities	7.3
Private equity	10.6
Credit and structured finance	3.1
Real estate	3.7
Absolute return	2.5
U.S. equity – small/mid cap	6.6

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 5.42% as of June 30, 2022. 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, 2059. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.5% for PERA member, was used to calculate the net OPEB liability through 2052. Beyond 2052, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 5.42% is the blended discount rate.

STATE OF NEW MEXICO
 CITY OF TRUTH OR CONSEQUENCES
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability, calculated using the discount rate of 5.42% as of June 30, 2022, as well as what the Cooperative’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
\$	<u>2,148,763</u>	<u>1,726,693</u>	<u>1,390,177</u>

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

	1% Decrease	Current Discount Rate	1% Increase
\$	<u>1,383,531</u>	<u>1,726,693</u>	<u>1,390,177</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, 2022.

Payables changes in the net OPEB liability. At June 30, 2023, 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, calculated using the discount rate of 5.42% as of June 30, 2022, 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 or 1-percentage-point higher than the current rate:

	1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
\$	<u>405,564</u>	<u>325,901</u>	<u>262,386</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

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

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>261,132</u>	<u>325,901</u>	<u>381,102</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, 2022.

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to be implemented for fiscal years beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in exchange or exchange-like transactions. The implementation of this Statement had no effect on the City’s financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. GASB No. 96 defines a SBITA (subscription-based information technology arrangements); establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; provides that capitalization criteria for outlays other than subscription payment including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The implementation of this Statement had no effect on the City’s financial statements.

In April 2022, the GASB issued Statement No. 99, Omnibus 2022, with multiple effective dates as follows; (1) extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 24, as amended, and terminology updates related to Statement 53 and 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement had no effect on the City's financial statements.

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62

GASB Statement No. 101, Compensated Absences

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

NOTE 15. 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, 2023.

NOTE 16. SUBSEQUENT EVENTS

Events subsequent to June 30, 2023 have been evaluated by management through December 13, 2023, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2023 require adjustment or disclosure in the financial statement.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 17. LEASES

Governmental activities – Lessor

With the implementation of GASB 87, Leases, the City has leases that are to be recognized for the governmental funds. The City is the lessor with the following leases,

	<u>Term</u>	<u>Interest Rate</u>
Land Leases	10 – 99 years	1.75 – 3.75%
Water Tower	28 years	1.75%
Building	5 years	0.50%

The City has used its incremental borrowing rate to value the above leases. In the current year, the City recognized deferred inflows of \$63,306 and interest income of \$27,157.

The annual lease requirements are as follows:

<u>June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 59,257	18,201	77,458
2025	60,437	33,161	93,598
2026	55,360	16,442	71,802
2027	42,496	15,695	58,191
2028	41,517	14,978	56,495
2029-2033	128,847	66,103	194,950
2034-2038	100,503	50,779	151,282
2039-2043	76,815	44,888	121,703
2044-2048	18,045	28,522	46,567
2049-2053	2,750	34,750	37,500
2054-2058	3,307	34,193	37,500
2059-2063	3,945	33,555	37,500
2064-2068	4,778	32,722	37,500
2069-2073	5,744	31,756	37,500
2074-2078	6,905	30,595	37,500
2079-2083	8,301	29,199	37,500
2084-2088	9,978	27,522	37,500
2089-2093	11,995	25,505	37,500
2094-2098	14,419	23,081	37,500
2099-2103	17,333	20,167	37,500
2104-2108	20,836	16,664	37,500
2109-2113	25,047	12,453	37,500
2114-2118	30,109	7,393	37,502
2119-2123	21,335	1,588	22,923
	<u>\$ 770,059</u>	<u>649,912</u>	<u>1,419,971</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

NOTE 17. LEASES (CONTINUED)

Business-type activities – Lessor

With the implementation of GASB 87, Leases, the City has leases that are to be recognized for the business-type activities funds. The City is the lessor with the following leases,

	<u>Term</u>	<u>Interest Rate</u>
Land	5 years	0.50%
Hangars	5 years	0.50%

The City has used its incremental borrowing rate to value the above leases. In the current year, the City recognized deferred inflows of \$19,584 and interest income of \$322.

The annual lease requirements are as follows:

<u>June 30,</u>		<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$	23,678	203	23,881
2025		23,030	89	23,119
2026		4,573	8	4,581
2027		768	-	768
	\$	<u>52,049</u>	<u>300</u>	<u>52,349</u>

NOTE 18. LANDFILL CLOSURES AND POST CLOSURE CARE COSTS

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The City has had the landfill site closed to the public and is in the process of collecting dirt for the final cap. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2015. An updated estimate was performed in January of 2023. Current year deletions were based off of estimated costs from the Solid Waste Fund. The balance of remaining landfill closure and postclosure care cost at June 30, 2023 is \$769,516.

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, 2023**

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

Fiscal Year Measurement Date	30-Jun									
	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014	
City's Proportion of the Net Pension Liability (Asset)										
Municipal General	0.3228%	0.3341%	0.3140%	0.2844%	0.3050%	0.2907%	0.2954%	0.2908%	0.3329%	
Municipal Police	0.2170%	0.2487%	0.2235%	0.2726%	0.2449%	0.2673%	0.2561%	0.2958%	0.2904%	
Component Unit - Municipal General	0.0923%	0.1010%	0.0881%	0.0919%	0.0943%	0.0892%	0.0806%	0.0782%	0.0982%	
City's Proportionate Share of Net Pension Liability (Asset)										
Municipal General	\$ 5,725,531	3,763,778	6,349,794	4,923,246	4,862,829	3,994,463	4,719,498	2,964,958	2,596,977	
Municipal Police	1,744,284	1,286,273	1,919,574	2,013,612	1,670,963	1,485,027	1,889,582	1,396,406	964,276	
Component Unit - Municipal General	1,637,133	1,138,148	1,781,582	1,590,886	1,503,496	1,225,684	1,287,717	797,317	766,065	
	<u>\$ 9,106,948</u>	<u>6,188,199</u>	<u>10,050,950</u>	<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 Payroll										
Municipal General	\$ 3,361,590	3,142,135	3,142,135	2,595,131	2,595,131	2,861,475	2,550,738	2,246,083	2,439,725	
Municipal Police	605,793	600,126	600,126	607,558	607,558	537,439	550,728	838,111	934,075	
Component Unit - Municipal General	730,850	758,805	661,805	664,249	631,912	617,593	615,593	571,154	605,461	
	<u>\$ 4,698,233</u>	<u>4,501,066</u>	<u>4,404,066</u>	<u>3,866,938</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 Payroll										
Municipal General	170.32%	119.78%	202.09%	189.71%	187.38%	139.59%	185.02%	132.01%	106.45%	
Municipal Police	287.93%	214.33%	319.86%	331.43%	275.03%	276.32%	343.11%	166.61%	103.23%	
Component Unit - Municipal General	224.00%	149.99%	269.20%	239.50%	237.93%	198.46%	209.18%	139.60%	126.53%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.35%	77.25%	66.36%	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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contributions in relation to the contractually required									
Municipal General	\$ 360,775	307,783	312,252	325,317	247,835	273,271	243,595	241,619	229,899
Municipal Police	118,921	101,051	121,349	106,850	114,829	101,576	104,088	96,273	107,568
Component Unit - Municipal General								65,939	
	100,271	84,436	93,333	81,402	80,042	76,145	74,420		61,787
	<u>\$ 579,967</u>	<u>493,270</u>	<u>526,934</u>	<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	\$ 360,775	307,783	312,252	325,317	247,835	273,271	243,595	241,619	229,899
Municipal Police	118,921	101,051	121,349	106,850	114,829	101,576	104,087	96,273	107,568
Component Unit - Municipal General								65,939	
	100,271	84,436	93,333	81,402	80,042	76,145	74,420		61,787
	<u>\$ 579,967</u>	<u>493,270</u>	<u>526,934</u>	<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	\$ 3,361,590	3,140,642	3,142,135	3,319,561	2,595,131	2,861,475	2,550,738	2,246,083	2,439,725
Municipal Police	605,793	527,684	600,126	557,963	607,558	537,439	550,728	838,111	934,075
Component Unit - Municipal General	730,850	797,161	758,805	661,805	631,912	631,912	615,593	571,154	605,461
	<u>\$ 4,698,233</u>	<u>4,465,487</u>	<u>4,501,066</u>	<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 payroll									
Municipal General	10.73%	9.80%	9.94%	9.80%	9.55%	9.55%	9.55%	10.76%	10.24%
Municipal Police	19.63%	19.15%	20.22%	19.15%	18.90%	18.90%	18.90%	11.49%	12.83%
Component Unit - Municipal General	13.72%	9.80%	12.30%	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, 2023**

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

	Fiscal Year Measurement Date	30-Jun					
		2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017
City's Proportion of the Net OPEB liability		0.07470%	0.08100%	0.07534%	0.07443%	0.07961%	0.07837%
Component Unit's Proportion of the Net OPEB Liability		0.01410%	0.01576%	0.01368%	0.01497%	0.01431%	0.01436%
City's Proportionate Share of the Net OPEB Liability	\$	1,726,693	2,665,183	3,163,457	2,413,310	3,461,725	3,551,472
Component Unit's Proportionate Share of the Net OPEB	\$	325,901	518,559	574,411	485,385	622,249	650,748
City's Covered Payroll	\$	3,972,867	3,737,538	3,238,201	3,105,911	3,415,760	3,264,618
Component Unit's Covered Payroll	\$	730,850	759,114	661,850	662,764	632,179	598,187
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll		43.46%	71.31%	97.69%	77.70%	101.35%	108.79%
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll		44.59%	68.31%	86.79%	73.24%	98.43%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		25.39%	25.39%	16.50%	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, 2023**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution - City	\$ 82,486	75,929	72,458	65,883	124,404	248,862
Contractually Required Contribution -	14,617	14,322	15,182	13,237	13,257	12,645
Contributions in Relation to the						
Contractually Required Contribution - City	(82,486)	(75,929)	(72,458)	(65,883)	122,885	124,901
Contributions in Relation to the						
Contractually Required Contribution -	<u>14,617</u>	<u>(14,322)</u>	<u>(15,182)</u>	<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>	<u>-</u>	<u>-</u>	<u>-</u>
Employer's covered payroll - City	\$ 3,972,867	3,796,450	3,483,095	3,105,911	3,415,760	3,264,618
Employer's covered payroll - Component Unit	730,850	716,083	759,114	632,179	662,764	632,179
Contributions as a percentage of covered payroll - City	2.08%	2.00%	2.08%	2.12%	3.60%	3.83%
Contributions as a percentage of covered payroll - Component Unit	2.00%	2.00%	2.00%	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, 2023**

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

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2022 report is available at <https://www.nmpera.org/financia-overview/retirement-fund-valuation-report/>.

Retiree Health Care Authority (RHCA). In the total OPEB liability measured as of June 30, 2022, changes in assumptions include adjustment resulting from an increase in the discount rate from 3.62% to 5.42%

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2023**

Special Revenue Funds

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.

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.

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.

Law Enforcement Recruitment - 212

To account for grant funds used for salaries, benefits, recruitment incentives, and other personnel expenditures related to recruiting and training certified law enforcement officers. Financing is provided by a grant from the State of New Mexico. Funding authority is NMSA 29-13-1.

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.

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.

American Rescue Plan Fund - 260

To account for funds received from the American Rescue Plan Act.

Cannabis Regulation Fund - 280

To account for funds received from the state from Cannabis sales.

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, 2023**

Special Revenue Funds (Continued)

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.

Municipal Pool - 295

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

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.

Special Revenue Fund - 299

To account for funds for special revenues not allocated..

Capital Projects Funds

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.

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.
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.

Water Trust Board Projects – 370

Loan/grant project funded by the Water Trust Board and the New Mexico Finance Authority for the Booster Station and Austin Street Improvement.

Other State Funded Projects – 380

NMED DWSRLF Funds for Marshall Street, North Pershing, 2nd Avenue and Sierra Vista Drive Water line replacement.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2023**

Proprietary Funds

Impact Fee fund-301

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

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

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	Special Revenue		
	Correction Fees	Fire Protection	Law Enforcement
	201	209	Protection 211
<i>Assets</i>			
Cash and cash equivalents	\$ 71,858	1,087,002	11,024
Restricted cash and cash equivalents	-	-	-
Receivables:			
Other taxes	-	-	-
Due from other governments	-	100	-
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 71,858</u>	<u>1,087,102</u>	<u>11,024</u>
<i>Liabilities</i>			
Accounts payable	\$ 9,609	1,330	1,787
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>9,609</u>	<u>1,330</u>	<u>1,787</u>
<i>Fund balances</i>			
Nonspendable			
Inventory	-	-	-
Spendable:			
Restricted for:			
Public Safety	62,249	-	9,237
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Fire protection	-	1,085,772	-
Veteran's Wall	-	-	-
Capital projects	-	-	-
Unassigned	-	-	-
<i>Total fund balances</i>	<u>62,249</u>	<u>1,085,772</u>	<u>9,237</u>
<i>Total liabilities and fund balances</i>	<u>\$ 71,858</u>	<u>1,087,102</u>	<u>11,024</u>

Special Revenue

Law Enforcement Recruitment 212	Lodger's Tax 214	Municipal Streets Fund 216	Recreation Fund 217	American Rescue Plan 260
1,543	710,779	1,037,035	4,777	-
-	-	37,953	-	387,915
-	52,638	130,090	-	-
-	-	807	-	-
-	-	-	-	-
-	-	-	-	-
-	-	37,092	-	-
<u>1,543</u>	<u>763,417</u>	<u>1,242,977</u>	<u>4,777</u>	<u>387,915</u>
-	6,775	3,038	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>6,775</u>	<u>3,038</u>	<u>-</u>	<u>-</u>
-	-	37,092	-	-
1,543	-	-	-	-
-	756,642	-	4,777	-
-	-	1,202,847	-	387,915
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,543</u>	<u>756,642</u>	<u>1,239,939</u>	<u>4,777</u>	<u>387,915</u>
<u>1,543</u>	<u>763,417</u>	<u>1,242,977</u>	<u>4,777</u>	<u>387,915</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	Special Revenue		
	Cannabis Regulation 280	Veteran's Wall Perpetual Care 293	State Library 294
	<u>280</u>	<u>293</u>	<u>294</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 80,185	1,150	7,320
Restricted cash and cash equivalents	-	-	-
Receivables:			
Other taxes	10,713	-	-
Due from other governments	-	-	14
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 90,898</u>	<u>1,150</u>	<u>7,334</u>
<i>Liabilities</i>			
Accounts payable	\$ -	-	144
Accrued payroll	-	-	-
Due to other funds	-	-	8,000
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>8,144</u>
<i>Fund balances</i>			
Nonspendable			
Inventory	-	-	-
Spendable:			
Restricted for:			
Public Safety	-	-	-
Culture and recreation	90,898	-	-
Transportation and roads	-	-	-
Fire protection	-	-	-
Veteran's Wall	-	1,150	-
Capital projects	-	-	-
Unassigned	-	-	(810)
<i>Total fund balances</i>	<u>90,898</u>	<u>1,150</u>	<u>(810)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 90,898</u>	<u>1,150</u>	<u>7,334</u>

Special Revenue				
Municipal Pool 295	Police Department GRT Fund 296	Special Revenue Funds 299		Total Special Revenue
111,341	184,571	447		3,309,032
-	-	-		425,868
-	68,151	-		261,592
-	-	-		921
910	-	-		910
-	-	-		-
3,538	-	-		40,630
<u>115,789</u>	<u>252,722</u>	<u>447</u>		<u>4,038,953</u>
4,324	-	-		27,007
3,637	-	-		3,637
-	-	-		8,000
<u>7,961</u>	<u>-</u>	<u>-</u>		<u>38,644</u>
3,538	-	-		40,630
-	252,722	447		326,198
104,290	-	-		956,607
-	-	-		1,590,762
-	-	-		1,085,772
-	-	-		1,150
-	-	-		-
-	-	-		(810)
<u>107,828</u>	<u>252,722</u>	<u>447</u>		<u>4,000,309</u>
<u>115,789</u>	<u>252,722</u>	<u>447</u>		<u>4,038,953</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	Capital Projects		
	Veteran's Wall 303	Senior Transportation 304	Capital Expenditures 305
<i>Assets</i>			
Cash and cash equivalents	\$ 2,857	6,934	85,427
Restricted cash and cash equivalents	-	-	-
Receivables:			
Other taxes	-	-	-
Due from other governments	-	-	-
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	-	-
Total assets	\$ 2,857	6,934	85,427
<i>Liabilities</i>			
Accounts payable	\$ -	-	-
Accrued payroll	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
<i>Fund balances</i>			
Nonspendable			
Inventory	-	-	-
Spendable:			
Restricted for:			
Public Safety	-	-	-
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Fire protection	-	-	-
Veteran's Wall	-	-	-
Capital projects	2,857	6,934	85,427
Unassigned	-	-	-
Total fund balances	2,857	6,934	85,427
Total liabilities and fund balances	\$ 2,857	6,934	85,427

Capital Projects				
Golf Course Improvement 307	Water Trust Board Fund 370	Other State Funded Projects 380	Total Capital Projects	Total Nonmajor Governmental Funds
1,420	78,344	-	174,982	3,484,014
-	-	-	-	425,868
-	-	-	-	261,592
-	-	-	-	921
-	-	-	-	910
-	-	30,589	30,589	30,589
-	-	-	-	40,630
<u>1,420</u>	<u>78,344</u>	<u>30,589</u>	<u>205,571</u>	<u>4,244,524</u>
-	62,378	14,889	77,267	104,274
-	-	-	-	3,637
-	-	-	-	8,000
<u>-</u>	<u>62,378</u>	<u>14,889</u>	<u>77,267</u>	<u>115,911</u>
-	-	-	-	40,630
-	-	-	-	326,198
-	-	-	-	956,607
-	-	-	-	1,590,762
-	-	-	-	1,085,772
-	-	-	-	1,150
1,420	15,966	15,700	128,304	128,304
-	-	-	-	(810)
<u>1,420</u>	<u>15,966</u>	<u>15,700</u>	<u>128,304</u>	<u>4,128,613</u>
<u>1,420</u>	<u>78,344</u>	<u>30,589</u>	<u>205,571</u>	<u>4,244,524</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Special Revenue		
	Correction Fees	Fire Protection	Law Enforcement Protection
	201	209	211
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	-	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal capital grants	-	-	-
State operating grants	-	354,685	57,000
State capital grants	-	-	-
Charges for services	2,813	-	-
Investment income	-	1,011	-
Miscellaneous	-	100	-
<i>Total revenues</i>	<u>2,813</u>	<u>355,796</u>	<u>57,000</u>
<i>Expenditures:</i>			
Current:			
General government	-	-	-
Public safety	207,710	102,040	47,763
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
<i>Total expenditures</i>	<u>207,710</u>	<u>102,040</u>	<u>47,763</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(204,897)</u>	<u>253,756</u>	<u>9,237</u>
Other Financing Sources (Uses)			
Transfers, in	180,000	-	-
Transfers, out	-	-	-
<i>Total other financing sources (uses)</i>	<u>180,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(24,897)	253,756	9,237
<i>Fund balances - beginning of year (deficit)</i>	<u>87,146</u>	<u>832,016</u>	<u>-</u>
<i>Fund balances, end of year</i>	<u>\$ 62,249</u>	<u>1,085,772</u>	<u>9,237</u>

Special Revenue

Law Enforcement Recruitment 212	Lodger's Tax 214	Municipal Streets Fund 216	Recreation Fund 217	American Rescue Plan 260
-	-	-	-	-
-	-	720,696	-	-
-	422,450	-	-	-
-	-	-	-	712,404
112,500	-	297,738	-	-
-	-	-	-	-
-	79,528	-	-	-
-	765	655	4	-
-	-	130,366	-	130,361
<u>112,500</u>	<u>502,743</u>	<u>1,149,455</u>	<u>4</u>	<u>842,765</u>
-	392,598	-	-	-
110,957	-	-	-	-
-	-	478,053	-	-
-	-	-	-	-
-	9,881	-	-	188,113
<u>110,957</u>	<u>402,479</u>	<u>478,053</u>	<u>-</u>	<u>188,113</u>
<u>1,543</u>	<u>100,264</u>	<u>671,402</u>	<u>4</u>	<u>654,652</u>
-	-	-	-	-
-	(55,000)	(105,000)	-	(266,737)
-	(55,000)	(105,000)	-	(266,737)
1,543	45,264	566,402	4	387,915
-	711,378	673,537	4,773	-
<u>1,543</u>	<u>756,642</u>	<u>1,239,939</u>	<u>4,777</u>	<u>387,915</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Special Revenue		
	Cannabis Regulation 280	Veteran's Wall Perpetual Care 293	State Library 294
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ 74,319	-	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal capital grants	-	-	-
State operating grants	-	-	29,362
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	2,595
<i>Total revenues</i>	<u>74,319</u>	<u>-</u>	<u>31,957</u>
<i>Expenditures:</i>			
Current:			
General government	2,077	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	60,238
Capital outlay	-	-	-
<i>Total expenditures</i>	<u>2,077</u>	<u>-</u>	<u>60,238</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>72,242</u>	<u>-</u>	<u>(28,281)</u>
Other Financing Sources (Uses)			
Transfers, in	-	-	-
Transfers, out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	72,242	-	(28,281)
<i>Fund balances - beginning of year (deficit)</i>	<u>18,656</u>	<u>1,150</u>	<u>27,471</u>
<i>Fund balances, end of year</i>	<u>\$ 90,898</u>	<u>1,150</u>	<u>(810)</u>

Special Revenue			
Municipal Pool 295	Police Department GRT Fund 296	Special Revenue Funds 299	Total Special Revenue
563	-	-	74,882
-	-	-	720,696
-	-	-	422,450
-	-	-	-
-	-	-	712,404
-	-	-	851,285
-	-	-	-
14,230	361,837	-	458,408
-	613	250	3,298
-	400	-	263,822
<u>14,793</u>	<u>362,850</u>	<u>250</u>	<u>3,507,245</u>
-	-	-	394,675
-	73,715	-	542,185
-	-	-	478,053
125,100	-	-	185,338
-	51,087	-	249,081
<u>125,100</u>	<u>124,802</u>	<u>-</u>	<u>1,849,332</u>
<u>(110,307)</u>	<u>238,048</u>	<u>250</u>	<u>1,657,913</u>
150,000	-	-	330,000
-	(902,048)	-	(1,328,785)
<u>150,000</u>	<u>(902,048)</u>	<u>-</u>	<u>(998,785)</u>
39,693	(664,000)	250	659,128
<u>68,135</u>	<u>916,722</u>	<u>197</u>	<u>3,341,181</u>
<u>107,828</u>	<u>252,722</u>	<u>447</u>	<u>4,000,309</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Capital Projects		
	Veteran's Wall 303	Senior Transportation 304	Capital Expenditures 305
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	-	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal capital grants	-	-	-
State operating grants	-	176,431	-
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	84
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>176,431</u>	<u>84</u>
<i>Expenditures:</i>			
Current:			
General government	-	35,000	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	1,814	80,109	-
Capital outlay	-	61,322	-
<i>Total expenditures</i>	<u>1,814</u>	<u>176,431</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,814)</u>	<u>-</u>	<u>84</u>
Other Financing Sources (Uses)			
Proceeds from loans			
Transfers, in	-	-	-
Transfers, out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(1,814)	-	84
<i>Fund balances - beginning of year (deficit)</i>	<u>4,671</u>	<u>6,934</u>	<u>85,343</u>
<i>Fund balances, end of year</i>	<u>\$ 2,857</u>	<u>6,934</u>	<u>85,427</u>

Capital Projects				
Golf Course Improvement 307	Water Trust Board Fund 370	Other State Funded Projects 380	Total Capital Projects	Total Nonmajor Governmental Funds
-	-	-	-	74,882
-	-	-	-	720,696
-	-	-	-	422,450
-	-	-	-	-
-	8,185	-	8,185	720,589
-	65,638	24,544	266,613	1,117,898
-	-	-	-	-
-	-	-	-	458,408
-	-	-	84	3,382
-	-	-	-	263,822
-	73,823	24,544	274,882	3,782,127
-	-	18,077	53,077	447,752
-	-	-	-	542,185
-	160,580	14,889	175,469	653,522
14,270	-	-	96,193	281,531
-	65,274	6,440	133,036	382,117
14,270	225,854	39,406	457,775	2,307,107
(14,270)	(152,031)	(14,862)	(182,893)	1,475,020
-	94,660	24,122	118,782	118,782
-	71,000	6,440	77,440	407,440
-	(25,959)	-	(25,959)	(1,354,744)
-	139,701	30,562	170,263	(828,522)
(14,270)	(12,330)	15,700	(12,630)	646,498
15,690	28,296	-	140,934	3,482,115
1,420	15,966	15,700	128,304	4,128,613

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2023**

	Business Type Activities - Enterprise Funds			
	Impact Fees 301	Cemetery 501	Golf Course 508	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash, investments and cash equivalents	\$ 197,509	61,221	37,086	295,816
Receivables:				
Charges for services, net	-	340	122	462
Total current assets	<u>197,509</u>	<u>61,561</u>	<u>37,208</u>	<u>296,278</u>
Noncurrent assets				
Restricted cash	127,575	-	-	127,575
Capital assets	-	145,849	1,056,511	1,202,360
Less: Accumulated depreciation	-	(26,935)	(457,368)	(484,303)
Total noncurrent assets	<u>127,575</u>	<u>118,914</u>	<u>599,143</u>	<u>845,632</u>
Total assets	<u>325,084</u>	<u>180,475</u>	<u>636,351</u>	<u>1,141,910</u>
DEFERRED OUTFLOWS - PENSION RELATED	-	-	15,842	15,842
DEFERRED OUTFLOWS - OPEB RELATED	-	-	7,179	7,179
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>23,021</u>	<u>23,021</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	-	1,960	3,852	5,812
Accrued payroll	-	-	6,151	6,151
Accrued compensated absences	-	-	391	391
Total current liabilities	<u>-</u>	<u>1,960</u>	<u>10,394</u>	<u>12,354</u>
Non-Current Liabilities				
Compensated absences	-	-	4,057	4,057
Net pension liability	-	-	74,698	74,698
Net OPEB liability	-	-	17,267	17,267
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>96,022</u>	<u>96,022</u>
Total liabilities	<u>-</u>	<u>1,960</u>	<u>106,416</u>	<u>108,376</u>
DEFERRED INFLOWS - PENSION RELATED	-	-	4,860	4,860
DEFERRED INFLOWS - OPEB RELATED	-	-	18,482	18,482
Total deferred inflows	<u>-</u>	<u>-</u>	<u>23,342</u>	<u>23,342</u>
Net position				
Net investment in capital assets	-	118,914	599,143	718,057
Unrestricted	325,084	59,601	(69,529)	315,156
Total net position	<u>\$ 325,084</u>	<u>178,515</u>	<u>529,614</u>	<u>1,033,213</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business Type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Impact Fees 301	Cemetery 501	Golf Course 508	
<i>Operating Revenues</i>				
Charges for services	\$ 84,750	20,080	-	104,830
<i>Total revenues</i>	<u>84,750</u>	<u>20,080</u>	<u>-</u>	<u>104,830</u>
<i>Operating Expenses</i>				
General operating	-	11,267	66,443	77,710
Personnel services	-	-	174,156	174,156
Depreciation	-	6	9,296	9,302
Utilities	-	-	20,080	20,080
<i>Total operating expenses</i>	<u>-</u>	<u>11,273</u>	<u>269,975</u>	<u>281,248</u>
<i>Operating income (loss)</i>	<u>84,750</u>	<u>8,807</u>	<u>(269,975)</u>	<u>(176,418)</u>
<i>Nonoperating revenues (expenses)</i>				
Investment income	363	30	40	433
Miscellaneous income	-	-	50,924	50,924
<i>Total non-operating revenues (expenses)</i>	<u>363</u>	<u>30</u>	<u>50,964</u>	<u>51,357</u>
<i>Income (loss) before contributions and transfers</i>	<u>85,113</u>	<u>8,837</u>	<u>(219,011)</u>	<u>(125,061)</u>
Transfers in	2,400	-	170,000	172,400
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>87,513</u>	<u>8,837</u>	<u>(49,011)</u>	<u>47,339</u>
Net position - beginning	<u>237,571</u>	<u>169,678</u>	<u>578,625</u>	<u>985,874</u>
<i>Net position - end of year</i>	<u>\$ 325,084</u>	<u>178,515</u>	<u>529,614</u>	<u>1,033,213</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2023**

	Business Type Activities - Enterprise Funds			
	Impact Fees 301	Cemetery 501	Golf Course 508	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 84,750	20,080	5,495	110,325
Cash payments to suppliers for goods and services	-	(10,178)	(262,376)	(272,554)
<i>Net cash provided (used) by operating activities</i>	<u>84,750</u>	<u>9,902</u>	<u>(256,881)</u>	<u>(162,229)</u>
<i>Cash flows from noncapital financing activities</i>				
Miscellaneous income	363	30	50,964	51,357
Transfers	2,400	-	170,000	172,400
<i>Net cash provided by noncapital financing activities</i>	<u>2,763</u>	<u>30</u>	<u>220,964</u>	<u>223,757</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>87,513</u>	<u>9,932</u>	<u>(35,917)</u>	<u>61,528</u>
Cash and cash equivalents - beginning of year	<u>237,571</u>	<u>51,289</u>	<u>73,003</u>	<u>361,863</u>
Cash and cash equivalents - end of year	<u>\$ 325,084</u>	<u>61,221</u>	<u>37,086</u>	<u>423,391</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ 84,750	8,807	(269,975)	(176,418)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
<i>Depreciation</i>	-	6	9,296	9,302
<i>PERA Pension Expense</i>	-	-	2,816	2,816
<i>RHC OPEB Expense</i>	-	-	(4,773)	(4,773)
Changes in assets and liabilities				
Receivables	-	390	(71)	319
Due from other funds	-	-	(28)	(28)
Accounts payable	-	-	821	821
Accrued payroll	-	-	1,757	1,757
Accrued compensated absences	-	699	3,276	3,975
<i>Net cash provided (used) by operating activities</i>	<u>\$ 84,750</u>	<u>9,902</u>	<u>(256,881)</u>	<u>(162,229)</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2023**

<u>Bank Name</u>	<u>Account Type</u>		<u>Totals</u>
First Savings Bank			
GENERAL	Demand Account	Interest Bearing	\$ 4,264,190
LOCAL GOVERNMENT CORRECTIONS	Demand Account	Non Interest Bearing	71,858
FIRE PROTECTION	Demand Account	Interest Bearing	1,087,002
LAW ENFORCEMENT PROTECTION	Demand Account	Non Interest Bearing	12,567
LODGER'S TAX	Demand Account	Interest Bearing	710,779
MUNICIPAL STREET FUND	Demand Account	Interest Bearing	1,074,988
RECREATION	Demand Account	Interest Bearing	4,777
Special Revenue Funds	Demand Account	Interest Bearing	468,547
VETERANS WALL PERPETUAL CARE	Demand Account	Non Interest Bearing	1,150
LIBRARY	Demand Account	Non Interest Bearing	7,320
MUNICIPAL POOL	Demand Account	Non Interest Bearing	111,291
PD GRT FUND	Demand Account	Interest Bearing	184,571
PD DONATIONS	Demand Account	Non Interest Bearing	9,036
W/WW Impact Fees	Demand Account	Non Interest Bearing	3,499
Impact WW Dennis Murati	Demand Account	Interest Bearing	1,803
Impact WW James Lewis	Demand Account	Interest Bearing	1,803
Impact WW NM Veterans Home	Demand Account	Interest Bearing	101,627
Impact WW Lewis & Janet Kern	Demand Account	Interest Bearing	2,705
Impact WW Robert Uno Maki	Demand Account	Interest Bearing	1,352
Impact WW Alexander Andrassy	Demand Account	Interest Bearing	1,052
Impact WW Walter Pucci	Demand Account	Interest Bearing	2,704
Impact WW First Savings Bank	Demand Account	Interest Bearing	450
Impact WW Marcia Mohr	Demand Account	Interest Bearing	600
Impact WW R&N Apartments LLC	Demand Account	Interest Bearing	5,406
Impact WW Karon Morgan	Demand Account	Interest Bearing	300
Impact WW Cielo Vista LLC	Demand Account	Interest Bearing	6,307
Impact WW White Sands Fed CU	Demand Account	Interest Bearing	1,466
Impact WW Drake WEHRS	Demand Account	Interest Bearing	2,251
Impact WW-Cielo Vista LLC 2022	Demand Account	Interest Bearing	10,202
IMPACT AGNS CONST	Demand Account	Interest Bearing	1,200
IMPACT-AGNS CONST 528 WYONA	Demand Account	Interest Bearing	1,200
IMPACT WW AGNS CONST 607 WYONA	Demand Account	Interest Bearing	1,200
IMPACT WW OVERLAND ENGINEERING LLC	Demand Account	Interest Bearing	1,050
IMPACT WW DILLWOOD LLC 808 MAPLE	Demand Account	Interest Bearing	1,951
IMPACT WW-RIVERBEND HS LLC 101 AUSTIN ST	Demand Account	Interest Bearing	3,601
IMPACT WW 700 CHARLES AVE	Demand Account	Interest Bearing	1,200
IMPACT WW 992 S. BROADWAY	Demand Account	Interest Bearing	66,629
IMPACT WW-2350 VEATER	Demand Account	Interest Bearing	1,200
VETERANS WALL	Demand Account	Non Interest Bearing	2,857
SENIOR GRANTS	Demand Account	Non Interest Bearing	6,934
CAPITAL IMPROVEMENTS GENERAL	Demand Account	Interest Bearing	85,427
CAPITAL IMPROVEMENT JT UTILITY	Demand Account	Interest Bearing	94,757
GOLF COURSE IMPROVEMENTS	Demand Account	Non Interest Bearing	1,420
R & R AIRPORT (FFA)	Demand Account	Non Interest Bearing	5,726
CAPITAL IMPOV RESERVE	Demand Account	Interest Bearing	2,608,889
EMERGENCY REPAIR RESERVE	Demand Account	Interest Bearing	112,316
WASTE WATER RESERVE	Demand Account	Interest Bearing	86,013
ELECTRICAL CONSTRUCTION RESERVE	Demand Account	Interest Bearing	28,160

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2023**

<u>Bank Name</u>	<u>Account Type</u>	<u>Totals</u>
PLEDGE STATE TAX	Demand Account Interest Bearing	41,214
CEMETARY FUND	Demand Account Interest Bearing	61,221
GOLF COURSE	Demand Account Interest Bearing	36,986
MUNICIPAL AIRPORT	Demand Account Interest Bearing	54,786
INTERNAL SERVICE	Demand Account Non Interest Bearing	45,211
PD BONDS	Demand Account Non Interest Bearing	1,000
Joint Utility (pooled cash)	Demand Account Non Interest Bearing	3,490,302
REVOLVING FUND	Demand Account Non Interest Bearing	418,107
CD HSLD	Time Account Interest Bearing	102,326
CD INVESTMENT PLEDGE	Time Account Interest Bearing	600,274
CD INVESTMENT ELEC CONST	Time Account Interest Bearing	89,147
CD INVESTMENT R&R SEWER	Time Account Interest Bearing	146,963
CD INVESTMENT R&R WATER	Time Account Interest Bearing	129,865
CD INVESTMENT EMERG REPAIR	Time Account Interest Bearing	41,992
CD INVESTMENT WASTE WATER REPAIR	Time Account Interest Bearing	105,515
Total for First Savings Bank		<u>16,628,242</u>
 NMFA		
New Mexico Finance Authority	Cash/Investment	<u>1,075,192</u>
Total NMFA		<u>1,075,192</u>
 NM LGIP Fund		
LGIP Fund		<u>549,079</u>
Total NM LGIP		<u>549,079</u>
Petty cash		1,040
Total on Deposit and Investments	Cash/Investment	<u>18,253,553</u>
Reconciling Items		<u>(397,711)</u>
Total Deposits and Investments		<u>17,855,842</u>
Less: Restricted Cash and Cash Equivalents per the Statement of Net Position		1,628,635
Less: Investments per the Statement of Net Position		1,662,982
Total Unrestricted Cash and Cash Equivalents per the Statement of Net Position		<u>\$ 14,564,225</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2023**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2023</u>	<u>Location of Safekeeper</u>
First Savings Bank					
	FNMA 20YR	6/1/1941	3140XBRJ1	2,115,226	Federal Reserve, Beresford SD
	FRLMC 20YR	8/1/1941	3132D9FR0	2,224,117	Federal Reserve, Beresford SD
	FNMA 20YR	10/1/1941	3140QMBJ2	1,604,284	Federal Reserve, Beresford SD
	FNR 2022-12 EG	9/25/1946	3136BMBW7	2,077,190	Federal Reserve, Beresford SD
	GNR 2022-31 DA	4/20/1947	38383GT35	2,433,930	Federal Reserve, Beresford SD
	FNR 2022-25 AB	9/25/1947	3136BMUF3	2,603,193	Federal Reserve, Beresford SD
	GNR 2020-7 MJ	8/20/1949	38382DCD9	674,587	Federal Reserve, Beresford SD
	FHR 5162 LN	9/25/1950	3137H46S4	1,132,420	Federal Reserve, Beresford SD
	GNR 2021-139 PA	8/20/1951	38382XHY4	1,051,389	Federal Reserve, Beresford SD
			Total	\$ <u>15,916,336</u>	

Name and Location of Safe Keeper: Federal Reserve, Beresford SD

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023**

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Assistance Listing Number	Federal Expenditures
Department of Transportation			
Airport Improvement Program			
Aviation Grant - Equipment	N/A	20.106	\$ 135,248
Fuel Farm Upgrades & Airfield Safety	N/A	20.106	451,817
Total Airport Improvement Program			587,065
Total Department of Transportation			587,065
Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities			
WWTP Improvements 2B	N/A	10.760	A 4,097,440
Total Water and Waste Disposal Systems for Rural Communities Grants			4,097,440
Total United States Department of Agriculture			4,097,440
Coronavirus State and Local Fiscal Recovery Funds			
Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	454,849
Total Coronavirus State and Local Fiscal Recovery Funds			454,849
Total Federal Financial Assistance			\$ 5,139,354

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, 2023**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the City. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Subrecipients of Grant Awards

There were no sub-recipients during fiscal 2023.

Loans

The City expended federal awards in the form of loans in the Water and Waste Disposal Systems for Rural Communities program totaling \$4,097,440 during the year ended June 30, 2023.

Indirect Cost Rate

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

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To Joseph M. Maestas, P.E.
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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 13, 2023.

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 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. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 questioned costs as items 2023-001, 2023-002 and 2023-003.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of 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, L.L.P.
Albuquerque, New Mexico
December 13, 2023

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

To Joseph M. Maestas, P.E.
New Mexico State Auditor

The City Commission
City of Truth or Consequences

Report on Compliance for Each Major Federal Program

Opinion on 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, 2023. 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.

In our opinion, City of Truth or Consequences complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Truth or Consequences and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Truth or Consequences' compliance with the compliance requirements referred to above.

OFFICE LOCATIONS

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Truth or Consequences' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Truth or Consequences' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Truth or Consequences' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Truth or Consequences' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Truth or Consequences' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Truth or Consequences' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 13, 2023

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	No
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: USDA Water System Improvements	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, 2023**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001 Cash Disbursement PO Issued after Invoice (Other Matter)

CONDITION: During our internal control test work over cash disbursements, we noted that 1 of 25 transactions tested totaling \$394 had the Purchase order issued after invoice date.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, The Committee of Sponsoring Organizations (COSO) of the Treadway Commission identifies that management should evaluate their control activities to a level that ensure their policies and procedures help ensure management directives are carried out. Control activities help to ensure that necessary actions are taken to address risk to achievement of the City's objectives.

EFFECT: City is not compliant with 6-5-2C NMSA 1978 and is at risk for paying invoices in which were not budgeted or allowed.

CAUSE: Purchases were made by the former Finance Director without proper approval.

RECOMMENDATION: We recommend the City develop policies and procedures to verify that purchase orders are issued before an invoice is received.

MANAGEMENT RESPONSE: The City will develop policies and procedures to ensure purchase orders are issued before an invoice. Those policies and procedures will ensure that proper segregation of duty occurs or that there are compensating controls implemented. With the change of personnel in the Treasurers and Finance office, we will be executing more training with the financial system to better utilize the reports within the system.

TIMELINE OF CORRECTIVE ACTION PLAN: Immediately with goal to resolve finding for FY24.

RESPONSIBLE OFFICIAL: Finance Director

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023**

SECTION III – Findings and Questioned Costs- Major Federal Award Program

None

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

2023-002 Audit Report Submission (Other Noncompliance)

CONDITION: The City’s audit report was delivered to the New Mexico State Auditor in March of 2024.

CRITERIA: Section 2.2.2.9A(1)(k) NMAC, commonly called the Audit Rule, required submission of the audit report by December 15, 2023.

EFFECT: Federal and state funding could be jeopardized, and the Audit rule has not been complied with.

CAUSE: The Truth or Consequences Housing Authority (Housing Authority) did not enter all the June 30, 2022, journal entries made by the prior auditor, particularly in the areas of the net pension liability and corresponding deferred outflows of resources and deferred inflows of resources, and the net other postemployment benefits liability and corresponding deferred outflows of resources and deferred inflows of resources. This required substantial analysis to balance the general ledger fund balances to the prior year audit report.

RECOMMENDATION: We recommend the City ensure that the Housing Authority continue to establish timelines with its auditors for when various tasks, both by the Housing Authority and the auditor will be completed, and adhere to that schedule.

MANAGEMENT’S RESPONSE: The City Manager, Finance Director and Truth or Consequences Housing Director will work together to complete a plan of action to ensure the Housing Authority FY24 audit is submitted to the New Mexico State Auditor’s Office by the December 1st deadline for the Housing Authority.

TIMELINE OF CORRECTIVE ACTION PLAN: June 30, 2024.

RESPONSIBLE OFFICIAL: City Manager and Finance Director

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023**

SECTION V- Component Unit Findings

2023-003 (2022-004) Audit Report Submission (Other Noncompliance)

CONDITION: The Authority's audit report was delivered to the New Mexico State Auditor in February of 2024.

Although the Authority had established a timeline with its auditor, the auditor was unable to complete the submission by December 1, 2023.

CRITERIA: Section 2.2.2.9(A)(1)(k) NMAC, commonly called the Audit Rule, required submission of the audit report by December 1, 2023.

EFFECT: Federal and state funding could be jeopardized, and the Audit rule has not been complied with.

CAUSE: The Truth or Consequences Housing Authority did not enter all the June 30, 2022, journal entries made by the prior auditor, particularly in the areas of the net pension liability and corresponding deferred outflows of resources and deferred inflows of resources, and the net other postemployment benefits liability and corresponding deferred outflows of resources and deferred inflows of resources. This required substantial analysis to balance the general ledger fund balances to the prior year audit report.

RECOMMENDATION: We recommend that the Authority continue to establish timelines with its auditors for when various tasks, both by the Authority and the auditor will be completed, and adhere to that schedule.

AGENCY RESPONSE: The recommendation is already in place, and will continue to be the responsibility of the Executive Director. It is expected that the 2023-2024 audit will be delivered timely.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023**

SECTION VI – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Findings

2022-001 Procurement (Significant Deficiency) – Resolved

Component Unit Findings

CU 2022-001 Internal Controls over Tenant Files (Material Weakness) – Resolved

CU 2022-002 ERB Employee Reporting (Other Non-Compliance) – Resolved

CU 2022-003 Travel and Per Diem (Other Non-Compliance) – Resolved

CU 2022-004 Late Audit Report (Other Non-Compliance) – Repeated

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE
Year Ended June 30, 2023**

The contents of this report were discussed in the exit conference held on December 13, 2023, with the following in attendance:

Representing the City of Truth or Consequences:

Angie Gonzales	City Manager
Traci Alvarez	Assistant City Manager
Amanda Forrister	Mayor
Rolf Hechler	Mayor Pro-Tem
Kerin Salcedo	Finance Officer

Representing Pattillo, Brown & Hill:

Chris Garner	CPA, Partner
--------------	--------------

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.