

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

Official Roster

June 30, 2024

<u>Title</u>	<u>Name</u>
City Commissioner/Mayor.....	Rolf Hechler
Mayor Pro-Tem.....	Amanda Forrister
City Commissioner.....	Destiny Michell
City Commissioner.....	Merry Jo Fahl
City Commissioner.....	Ingo Hoeppner
City Manager.....	Angie Gonzales
Finance Director.....	Kerin Salcedo
City Clerk	Angela A. Torres

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., CFE
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, 2024, 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, 2024, 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 represent 7.84%, 6.05% and 9.74%, 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

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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 and *Government Auditing Standards* 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls. Accordingly, no such opinion is expressed.
- 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 72-75 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, 2024, 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, 2024

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION
June 30, 2024

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash, investments and cash equivalents	\$ 11,376,209	6,059,638	17,435,847	1,751,929
Investments	1,772,090	1,282,159	3,054,249	-
Receivables:				
Property taxes	29,657	-	29,657	-
Other taxes	1,200,045	-	1,200,045	-
Charges for services, net	-	371,503	371,503	-
Due from other governments	11	6,283	6,294	751,807
Other accounts receivables	11,458	-	11,458	-
Notes receivable	-	-	-	-
Lease receivable	59,257	23,678	82,935	
Prepaid expenses	-	-	-	32,700
Accounts receivable - tenants, net	-	-	-	15,499
Due from other funds	(82,110)	82,110	-	-
Inventory	122,435	585,868	708,303	3,281
Total current assets	14,489,052	8,411,239	22,900,291	2,555,216
Noncurrent assets				
Lease receivable	710,802	28,371	739,173	-
Restricted cash and cash equivalents	1,853,674	19,646	1,873,320	344,169
Capital assets	27,119,710	56,301,576	83,421,286	10,075,499
Less: Accumulated depreciation	(13,051,998)	(17,056,919)	(30,108,917)	(6,797,106)
Total noncurrent assets	16,632,188	39,292,674	55,924,862	3,622,562
Total assets	31,121,240	47,703,913	78,825,153	6,177,778
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	1,600,483	685,920	2,286,403	453,737
Deferred Outflows - OPEB	318,799	203,821	522,620	120,330
Total deferred outflows	1,919,282	889,741	2,809,023	574,067

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2024

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	324,619	772,704	1,097,323	36,430
Accrued payroll expenses	76,604	69,722	146,326	18,338
Accrued interest	8,755	22,082	30,837	-
Tenant deposit	-	-	-	35,214
Customer deposits	-	354,168	354,168	-
Due to other governments	-	-	-	259,506
Unearned revenue	-	-	-	
Due within one year				
Bonds, notes and loans payable	643,232	586,756	1,229,988	46,319
Compensated absences	52,752	30,216	82,968	-
Total current liabilities	1,105,962	1,835,648	2,941,610	395,807
Due in more than one year				
Bonds, notes and loans payable	2,503,884	9,650,187	12,154,071	496,541
Compensated absences	105,503	60,430	165,933	19,159
FSS deposits	-	-	-	118,266
Accrued landfill closure costs	-	766,199	766,199	-
Net Pension Liability	6,388,239	2,737,817	9,126,056	1,823,786
Net OPEB Liability	751,207	480,280	1,231,487	220,289
Total noncurrent liabilities	9,748,833	13,694,913	23,443,746	2,678,041
Total liabilities	10,854,795	15,530,561	26,385,356	3,073,848
DEFERRED INFLOWS				
Deferred Inflows - Leases	835,170	56,023	891,193	-
Deferred Inflows - Pension	196,427	84,182	280,609	153,481
Deferred Inflows - OPEB	1,021,643	653,183	1,674,826	354,514
Total deferred inflows	2,053,240	793,388	2,846,628	507,995
NET POSITION				
Net investment in capital assets	10,920,596	29,007,714	39,928,310	2,735,533
Restricted for				
Special projects	3,749,760	-	3,749,760	-
Debt service	2,687,980	586,756	3,274,736	-
Capital outlay	3,221,864	-	3,221,864	-
Housing assistance payments	-	-	-	65,936
Committed To				
Subsequent year's expenditures	559,909	-	559,909	-
Unrestricted (Deficit)	(1,007,622)	2,675,235	1,667,613	368,533
Total net position	\$ 20,132,487	32,269,705	52,402,192	3,170,002

See Notes to Financial Statements

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,160,471	1,307,098	2,506,589	1,141,454
Public safety	2,995,175	102,734	225,000	-
Public works	2,197,741	-	-	-
Culture and recreation	849,663	-	-	-
Health and welfare	353,362	-	-	-
Interest on long-term debt	144,320	-	-	-
Total governmental activities	10,700,732	1,409,832	2,731,589	1,141,454
Business-Type Activities				
Joint utility office	416,424	24,321	-	-
Electric	6,240,152	7,470,061	-	-
Water	1,256,842	1,685,554	3,166,523	-
WWTP	1,523,287	1,310,520	-	-
Airport	686,130	223,714	108,699	-
Solid Waste	2,269,991	2,502,862	-	-
Impact Fees	2,251	2,100	-	-
Cemetery	10,044	15,935	-	-
Golf Course	322,292	8,281	-	-
Total business-type activities	12,727,413	13,243,348	3,275,222	-
Total primary government	\$ 23,428,145	14,653,180	6,006,811	1,141,454
Component Unit				
Housing Authority	\$ 2,433,067	713,751	2,270,980	-

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
794,670	-	794,670	-
(2,667,441)	-	(2,667,441)	-
(2,197,741)	-	(2,197,741)	-
(849,663)	-	(849,663)	-
(353,362)	-	(353,362)	-
(144,320)	-	(144,320)	-
(5,417,857)	-	(5,417,857)	-
-	(392,103)	(392,103)	-
-	1,229,909	1,229,909	-
-	3,595,235	3,595,235	-
-	(212,767)	(212,767)	-
-	(353,717)	(353,717)	-
-	232,871	232,871	-
-	(151)	(151)	-
-	5,891	5,891	-
-	(314,011)	(314,011)	-
-	3,791,157	3,791,157	-
(5,417,857)	3,791,157	(1,626,700)	-
-	-	-	551,664
195,843	-	195,843	-
6,596,624	738,985	7,335,609	-
483,657	-	483,657	-
847,245	-	847,245	-
67,175	144,691	211,866	-
(139,060)	139,060	-	-
123,280	39,889	163,169	41,294
8,174,764	1,062,625	9,237,389	41,294
2,756,907	4,853,782	7,610,689	592,958
17,375,580	27,415,923	44,791,503	2,577,044
\$ 20,132,487	32,269,705	52,402,192	3,170,002

See Notes to Financial Statements

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	General Fund 100	CI Reserve Funds 315	NMFA Projects Funds 360
ASSETS			
Cash, investments and cash equivalents	\$ 4,491,316	1,669,834	339,382
Restricted cash and cash equivalents	-	-	-
Investments	1,155,276	-	-
Receivables:			
Property taxes	29,657	-	-
Other taxes	927,927	-	-
Due from other governments	-	-	-
Miscellaneous receivables	8,837	-	-
Due from other funds	-	1,251,120	-
Leases receivable	770,059	-	-
Inventory	87,683	-	-
Total assets	\$ 7,470,755	2,920,954	339,382
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 162,349	-	102,487
Accrued payroll expenses	72,966	-	-
Due to Other Funds	193,002	-	46,035
Total liabilities	428,317	-	148,522
DEFERRED INFLOWS			
Property taxes	22,907	-	-
Leases	835,170	-	-
Total deferred inflows	858,077	-	-
FUND BALANCES			
Nonspendable:			
Inventory	87,683	-	-
Restricted to:			
Public safety	-	-	-
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Fire protection	-	-	-
Veteran's Wall	-	-	-
Debt service expenditures	-	-	-
Capital projects	-	2,920,954	190,860
Committed to:			
Subsequent year's expenditures	559,909	-	-
Unassigned	5,536,769	-	-
Total fund balances	6,184,361	2,920,954	190,860
Total liabilities, deferred inflows and fund balances	\$ 7,470,755	2,920,954	339,382

Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
247,519	4,588,724	11,336,775
1,755,279	98,395	1,853,674
616,814	-	1,772,090
-	-	29,657
68,368	203,750	1,200,045
-	11	11
-	1,132	9,969
-	394	1,251,514
-	-	770,059
-	34,752	122,435
<u>2,687,980</u>	<u>4,927,158</u>	<u>18,346,229</u>
-	59,607	324,443
-	3,638	76,604
-	1,094,587	1,333,624
-	1,157,832	1,734,671
-	-	22,907
-	-	835,170
-	-	858,077
-	34,752	122,435
-	408,715	408,715
-	1,547,239	1,547,239
-	946,576	946,576
-	824,761	824,761
-	22,469	22,469
2,687,980	-	2,687,980
-	110,050	3,221,864
-	-	559,909
-	(125,236)	5,411,533
<u>2,687,980</u>	<u>3,769,326</u>	<u>15,753,481</u>
<u>2,687,980</u>	<u>4,927,158</u>	<u>18,346,229</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2024**

Total Fund Balance Governmental Funds Governmental Funds Balance Sheet	Governmental Activities
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 15,753,481
Residual balance of Internal Service Funds are included within the governmental activities but not reported within the governmental funds.	40,747
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,067,712
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.	22,907
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds.	1,919,282
Defined benefit pension plan and other post employment benefit deferred inflowss are not financial resources and, therefore, are not reported in the funds.	(1,218,070)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(8,755)
Compensated absences	(158,255)
Bonds and notes payable	(3,147,116)
Net Pension liability	(6,388,239)
Net OPEB Liability	(751,207)
Net position of governmental activities (Statement of Net Position)	\$ 20,132,487

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2024**

	General Fund 100	CI Reserve Funds 315	NMFA Projects Funds 360
Revenues			
Taxes:			
Property	\$ 199,642	-	-
Gross receipts	6,025,792	-	-
Gasoline and motor vehicle	-	-	-
Other	30,988	-	-
Intergovernmental			
Federal capital grants	-	-	-
State capital grants	-	322,874	700,156
State operating grants	669,054	-	-
Charges for services	715,295	-	-
Licenses and fees	188,384	-	-
Investment income	22,256	1,927	-
Miscellaneous	62,309	-	-
Total revenues	7,913,720	324,801	700,156
Expenditures			
Current			
General government	2,907,616	20,530	-
Public safety	1,998,745	-	-
Public works	693,016	10,296	-
Culture and recreation	435,934	-	-
Health and welfare	343,670	-	-
Capital outlay	471,621	5,441	748,773
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	6,850,602	36,267	748,773
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	1,063,118	288,534	(48,617)
Other Financing Sources (Uses)			
Loan proceeds	-	-	27,795
Transfers, in	1,279,987	357,606	50,000
Transfers, out	(1,483,880)	(63,690)	-
Total other financing sources (uses)	(203,893)	293,916	77,795
Net change in fund balances	859,225	582,450	29,178
Fund balances, beginning of year	5,325,136	2,338,504	161,682
Fund balances, end of year	\$ 6,184,361	2,920,954	190,860

See Notes to Financial Statements

Debt Service Funds 403	Other Governmental Funds	Total Governmental Funds
-	-	199,642
497,839	72,993	6,596,624
-	483,657	483,657
-	816,257	847,245
-	95,479	95,479
22,945	-	1,045,975
-	2,062,535	2,731,589
-	490,404	1,205,699
-	-	188,384
95,973	3,124	123,280
-	4,866	67,175
<u>616,757</u>	<u>4,029,315</u>	<u>13,584,749</u>
41,894	611,918	3,581,958
-	577,508	2,576,253
-	1,289,298	1,992,610
-	254,270	690,204
-	-	343,670
-	1,331,240	2,557,075
462,897	-	462,897
139,977	-	139,977
<u>644,768</u>	<u>4,064,234</u>	<u>12,344,644</u>
<u>(28,011)</u>	<u>(34,919)</u>	<u>1,240,105</u>
790,000	187,026	1,004,821
689,558	704,996	3,082,147
<u>(480,247)</u>	<u>(1,216,390)</u>	<u>(3,244,207)</u>
<u>999,311</u>	<u>(324,368)</u>	<u>842,761</u>
971,300	(359,287)	2,082,866
<u>1,716,680</u>	<u>4,128,613</u>	<u>13,670,615</u>
<u>2,687,980</u>	<u>3,769,326</u>	<u>15,753,481</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, 2024**

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenue, Expenditures, and Changes in Fund Balances)	\$ 2,082,866
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Amounts reported for governmental activities in the statement of activities are different because:

Change in net position of internal service funds	(4,288)
--------------------------------------------------	---------

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	2,176,802
Depreciation expense	(778,896)

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	(3,799)
--------------------------------------------------------------------	---------

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	(524,011)
OPEB expense	288,722

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.

	(1,004,821)
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The following table represents the changes in long-term debt for the fiscal year:

Change in bonds, notes, and loans payable	460,837
Change in compensated absences	67,841
Change in accrued interest on long-term debt	(4,346)

Change in net position in governmental activities	<u>\$ 2,756,907</u>
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STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes				
Property	\$ 189,000	189,000	197,683	8,683
Gross Receipts	3,840,000	6,502,965	6,257,648	(245,317)
Other	52,000	52,000	53,838	1,838
Intergovernmental income:				
State operating grant	1,039,688	1,152,307	664,137	(488,170)
Charges for services	150,200	150,200	716,889	566,689
Licenses and fees	25,500	25,500	187,797	162,297
Fines and forfeits	1,000	3,797	1,927	(1,870)
Investment earnings	1,000	1,000	22,256	21,256
Miscellaneous	737,000	779,532	62,159	(717,373)
Total revenues	6,035,388	8,856,301	8,164,334	(691,967)
Expenditures				
Current				
General government	2,686,530	2,958,960	2,941,551	17,409
Public safety	2,397,995	2,136,040	1,975,316	160,724
Public works	730,565	730,565	697,811	32,754
Culture and recreation	761,865	461,120	435,934	25,186
Health and welfare	515,000	515,000	348,773	166,227
Capital outlay	500,000	500,000	471,621	28,379
Total expenditures	7,591,955	7,301,685	6,871,006	430,679
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(1,556,567)	1,554,616	1,293,328	(261,288)
Other Financing Sources (Uses)				
Transfers, in	1,507,048	1,507,048	1,279,987	(227,061)
Transfers, out	(473,000)	(473,000)	(1,483,880)	(1,010,880)
Total other financing sources (uses)	1,034,048	1,034,048	(203,893)	(1,237,941)
Net change in fund balances	(522,519)	2,588,664	1,089,435	(1,499,229)
Adjustments to revenues			(250,614)	
Adjustments to expenditures			20,404	
Net change in fund balance (GAAP)			\$ 859,225	

See Notes to Financial Statements

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2024

	Business Type Activities			
	Joint Utility Office 502	Electric 503	Water 504	WWTP 506
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 139,092	3,273,131	825,085	746,629
Investments	-	89,549	324,605	257,371
Receivables				
Charges for services	18,482	177,498	31,130	50,299
Due from other government	-	-	-	-
Miscellaneous receivables	-	-	-	-
Lease Receivable	-	-	-	-
Due from other funds	41,056	137,429	-	-
Inventory	-	324,027	129,792	79,026
Total current assets	198,630	4,001,634	1,310,612	1,133,325
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	-	-
Lease Receivable	-	-	-	-
Capital assets	183,893	8,542,131	16,223,193	18,352,337
Less accumulated depreciation	(76,623)	(4,338,234)	(2,133,423)	(5,279,172)
Total noncurrent assets	107,270	4,203,897	14,089,770	13,073,165
Total assets	305,900	8,205,531	15,400,382	14,206,490
DEFERRED OUTFLOWS - PENSION RELATED	114,320	137,184	68,592	114,320
DEFERRED OUTFLOWS - OPEB RELATED	36,583	41,810	20,905	31,357
Total Deferred Outflows	150,903	178,994	89,497	145,677
LIABILITIES				
Current Liabilities				
Accounts payable	3,397	571,473	38,112	35,024
Accrued payroll expenses	8,498	15,473	10,440	6,971
Accrued compensated absences	4,492	12,354	5,290	376
Customer deposits	-	328,976	23,318	1,114
Accrued interest	-	-	22,082	-
Due to other funds	-	-	93,780	2,965
Current portion of long-term debt	-	-	409,634	67,122
Total current liabilities	16,387	928,276	602,656	113,572
Non-Current Liabilities				
Accrued compensated absences	8,983	24,708	10,581	751
Accrued landfill closure costs	-	-	-	-
Bonds, notes and loans	-	-	7,548,492	1,991,695
Net pension liability	456,303	547,563	273,782	456,303
Net OPEB Liability	86,204	98,519	49,259	73,889
Total non-current liabilities	551,490	670,790	7,882,114	2,522,638
Total liabilities	567,877	1,599,066	8,484,770	2,636,210
DEFERRED INFLOWS - LEASES	-	-	-	-
DEFERRED INFLOWS - PENSION RELATED	14,030	16,837	8,418	14,030
DEFERRED INFLOWS - OPEB RELATED	117,238	133,986	66,993	100,490
Total deferred inflows	131,268	150,823	75,411	114,520
NET POSITION				
Net investment in capital assets	107,270	4,203,897	6,131,644	11,014,348
Restricted for debt service	-	-	409,634	67,122
Unrestricted (Deficit)	(349,612)	2,430,739	388,420	519,967
Total net position	(242,342)	6,634,636	6,929,698	11,601,437
Total net position	\$ (242,342)	6,634,636	6,929,698	11,601,437

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
64,018	799,579	212,104	6,059,638	39,434
-	505,488	105,146	1,282,159	-
15,297	77,114	1,683	371,503	-
350	5,933	-	6,283	-
-	-	-	-	1,489
23,678	-	-	23,678	-
-	7,897	17	186,399	-
53,023	-	-	585,868	-
156,366	1,396,011	318,950	8,515,528	40,923
-	-	19,646	19,646	-
28,371	-	-	28,371	-
6,648,453	5,149,209	1,202,360	56,301,576	-
(2,134,248)	(2,600,888)	(494,331)	(17,056,919)	-
4,542,576	2,548,321	727,675	39,292,674	-
4,698,942	3,944,332	1,046,625	47,808,202	40,923
45,728	182,912	22,864	685,920	-
10,452	57,488	5,226	203,821	-
56,180	240,400	28,090	889,741	-
19,426	100,857	4,415	772,704	176
3,748	18,441	6,151	69,722	-
-	6,841	863	30,216	-
-	760	-	354,168	-
-	-	-	22,082	-
7,544	-	-	104,289	-
-	110,000	-	586,756	-
30,718	236,899	11,429	1,939,937	176
-	13,681	1,726	60,430	-
-	766,199	-	766,199	-
-	110,000	-	9,650,187	-
182,521	730,084	91,261	2,737,817	-
24,630	135,464	12,315	480,280	-
207,151	1,755,428	105,302	13,694,913	-
237,869	1,992,327	116,731	15,634,850	176
56,023	-	-	56,023	-
5,612	22,449	2,806	84,182	-
33,497	184,231	16,748	653,183	-
95,132	206,680	19,554	793,388	-
4,514,205	2,328,321	708,029	29,007,714	-
-	110,000	-	586,756	-
(92,084)	(452,596)	230,401	2,675,235	40,747
4,422,121	1,985,725	938,430	32,269,705	40,747
4,422,121	1,985,725	938,430	32,269,705	40,747

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2024

	Business Type Activities			
	Joint Utility Office	Electric	Water	WWTP
	502	503	504	506
Operating Revenues				
Charges for Services	\$ 24,321	7,470,061	1,685,554	1,310,520
Total operating revenues	24,321	7,470,061	1,685,554	1,310,520
Operating Expenses				
General operating	161,985	5,198,687	598,748	501,124
Personnel services	244,390	562,583	355,463	395,801
Depreciation	5,031	357,179	143,473	466,140
Utilities	5,018	121,703	159,158	160,222
Total operating expenses	416,424	6,240,152	1,256,842	1,523,287
Operation income (loss)	(392,103)	1,229,909	428,712	(212,767)
Non-Operating Revenues (Expenses)				
Interest expense	-	-	(19,233)	-
Investment earnings	3,602	427	3,631	4,968
Gross receipts tax	-	500,844	70,009	56,639
Miscellaneous income (expense)	29,203	70,438	2,256	-
Grant income	-	-	3,166,523	-
Total non-operating revenue (expenses)	32,805	571,709	3,223,186	61,607
Income (loss) before contributions and transfers	(359,298)	1,801,618	3,651,898	(151,160)
Transfers, in	345,000	76,095	4,240,201	85,940
Transfers, out	-	(445,747)	(4,196,373)	(121,450)
Change in net position	(14,298)	1,431,966	3,695,726	(186,670)
Net Position, beginning	(228,044)	5,202,670	3,233,972	11,788,107
Net position, end of year	\$ (242,342)	6,634,636	6,929,698	11,601,437

Business Type Activities				Governmental Activities
Airport Fund 509	Solid Waste Fund 505/507	Other Enterprise Funds	Total Total	Internal Service Fund 600
223,714	2,502,862	26,316	13,243,348	15,749
223,714	2,502,862	26,316	13,243,348	15,749
516,068	1,456,973	91,306	8,524,891	43,037
9,731	663,797	198,094	2,429,859	-
150,709	130,995	10,028	1,263,555	-
9,622	18,226	35,159	509,108	-
686,130	2,269,991	334,587	12,727,413	43,037
(462,416)	232,871	(308,271)	515,935	(27,288)
-	-	-	(19,233)	-
21	24,179	3,061	39,889	-
-	111,493	-	738,985	-
-	-	62,027	163,924	-
108,699	-	-	3,275,222	-
108,720	135,672	65,088	4,198,787	-
(353,696)	368,543	(243,183)	4,714,722	(27,288)
182,135	185,650	256,420	5,371,441	23,000
-	(360,791)	(108,020)	(5,232,381)	-
(171,561)	193,402	(94,783)	4,853,782	(4,288)
4,593,682	1,792,323	1,033,213	27,415,923	45,035
4,422,121	1,985,725	938,430	32,269,705	40,747

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2024

	Business Type Activities			
	Joint Utility Office	Electric	Water	WWTP
	502	503	504	506
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 76,342	7,422,811	1,011,830	1,282,566
Cash paid for vendors and employees	(417,727)	(5,461,036)	(1,092,945)	(1,007,670)
Net cash provided (used) by operating activities	(341,385)	1,961,775	(81,115)	274,896
Cash flows from noncapital financing activities				
Government contributions	-	-	3,166,523	-
Gross receipts taxes	-	500,844	70,009	56,639
Miscellaneous income	29,203	70,438	2,256	-
Landfill closure costs	-	-	-	-
Transfers	345,000	(369,652)	43,828	(35,510)
Net cash provided (used) by noncapital financing activities	374,203	201,630	3,282,616	21,129
Cash Flows from Investing Activities				
Purchases of investments	-	(402)	(194,740)	(4,893)
Interest on investments	3,602	427	3,631	4,968
Net cash (used) provided by investing activities	3,602	25	(191,109)	75
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(520,160)	(3,779,519)	(47,494)
Interest paid	-	-	(19,233)	-
Principal payments on bonds, loans and notes payable	-	(66,095)	783,805	(66,165)
Net cash provided (used) by capital and related financing activities	-	(586,255)	(3,014,947)	(113,659)
Net increase (decrease) in cash and cash equivalents	36,420	1,577,175	(4,555)	182,441
Cash and cash equivalents, beginning of year	102,672	1,695,956	829,640	564,188
Cash and cash equivalents, end of year	\$ 139,092	3,273,131	825,085	746,629
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (392,103)	1,229,909	428,712	(212,767)
Noncash items				
Depreciation expense	5,031	357,179	143,473	466,140
PERA pension plan expense	37,430	44,916	22,459	37,430
RHC OPEB plan expense	(33,132)	(37,865)	(18,934)	(28,398)
Adjustments to operating income (loss) to net cash provided by operating activities:				
Change in assets and liabilities:				
Accounts receivable	-	146,380	67,708	25,567
Lease receivable	-	-	-	-
Inventory	45,916	66,807	(5,417)	(4,937)
Accounts payable	(1,691)	157,625	(717,582)	(322)
Accrued payroll expenses	-	-	-	-
Accrued compensated absences	(2,836)	5,051	8,801	(8,136)
Accrued landfill closure costs	-	-	-	-
Interest payable	-	-	(10,113)	-
Due to/from other funds	-	(15,435)	(5)	5
Deferred inflows - leases	-	-	-	-
Meter deposits	-	7,208	(217)	314
Net cash provided (used) by operating activities	\$ (341,385)	1,961,775	(81,115)	274,896

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
313,800	2,584,057	31,560	12,722,966	\$ 14,260
(601,449)	(2,190,853)	(331,543)	(11,103,223)	(43,037)
(287,649)	393,204	(299,983)	1,619,743	(28,777)
108,699	-	-	3,275,222	-
-	111,493	-	738,985	-
-	-	65,088	166,985	-
-	(52,842)	-	(52,842)	-
182,135	(175,141)	148,400	139,060	23,000
290,834	(116,490)	213,488	4,267,410	23,000
-	(24,086)	-	(224,121)	-
21	24,179	-	36,828	-
21	93	-	(187,293)	-
-	(15,308)	-	(4,362,481)	-
-	-	-	(19,233)	-
-	(105,000)	-	546,545	-
-	(120,308)	-	(3,835,169)	-
3,206	156,499	(86,495)	1,864,691	(5,777)
60,812	643,080	423,391	4,319,739	45,211
64,018	799,579	336,896	6,184,430	\$ 39,434
(462,416)	232,871	(308,271)	515,935	(27,288)
150,709	130,995	10,028	1,263,555	-
14,972	59,888	7,487	224,582	-
(9,465)	(52,063)	(4,733)	(184,590)	-
71,252	30,530	(1,221)	340,216	(1,489)
-	-	-	-	-
9,963	-	-	112,332	-
13,766	(6,590)	(499)	(555,293)	-
-	-	-	-	-
-	890	(2,757)	1,013	-
-	(3,317)	-	(3,317)	-
-	-	-	(10,113)	-
(76,430)	-	(17)	(91,882)	-
-	-	-	7,305	-
(287,649)	393,204	(299,983)	1,619,743	\$ (28,777)

See Notes to Financial Statements

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

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 discreetly 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.

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.

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 2023-2024 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 2022-2022. 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 2023-2024 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 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 **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, 2024

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, 2024**

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 a 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.

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

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.

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.

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, 2024**

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, 2024, 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, 2024.

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, 2024

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2024, the city had the following cash, cash equivalents and investments:

Demand deposits	\$ 17,552,678
Petty cash	1,210
Certificates of deposit	1,435,961
State Treasurer's LGIP	1,618,288
Cash with fiscal Agent	<u>1,755,279</u>
Total	\$ <u>22,363,416</u>
 Governmental funds	 \$ 15,001,973
Proprietary funds	<u>7,361,443</u>
 Total	 \$ <u>22,363,416</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, 2024. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

Investment Type	Weighted Average Maturities	Fair Value	Rating*
New Mexico LGIP	[30] day WAM(R), [39] day WAM (F)	<u>1,618,288</u>	AAAM
		\$ <u> </u>	

*Based off Moody's rating

In addition to the investment in LGIP above there are \$1,435,961 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, 2024, the LGIP WAM (R) was 30 days and WAM (F) was 39 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, 2024

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, 2024, \$0 of the City's bank balances of \$19,377,918, 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	\$	17,941,957
Certificates of Deposit		1,435,961
Total on Deposit		19,377,918
Less: FDIC insurance		(250,000)
Total uninsured public funds	\$	19,127,918
 Pledged Collateral Required:		
50% on deposits	\$	9,563,959
 Pledged Collateral at June 30, 2024		17,775,719
Excess (Deficiency)	\$	8,211,760

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, 2024, \$0 of the Housing Authority's bank balance of \$ 2,108,767 was exposed to custodial credit risk. Although the \$1,205,711 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, 2024.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024:

Investment Assets at Fair Value as of June 30, 2024				
Investment in	Level 1	Level 2	Level 3	Total
New Mexico LGIP	\$ 1,618,288	-	-	\$ 1,618,288
Total	\$ 1,612,288	-	-	\$ 1,618,288

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 4. RECEIVABLES

Governmental receivables as of June 30, 2024 are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 29,657		29,657
Other taxes:			
Gross receipts	927,927	214,390	1,142,317
Gasoline	-	15,561	15,561
Other	-	42,167	42,167
Grants receivable	-	11	11
Miscellaneous receivables	8,837	1,132	9,969
	<u>\$ 966,421</u>	<u>273,261</u>	<u>1,239,682</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 \$22,907 for the year ended June 30, 2024.

Proprietary fund receivables as of June 30, 2024, are as follows:

	<u>Major Enterprise Funds</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Charges for services	\$ 638,542	1,683	640,225
Less: Allowance for uncollectible accounts	(268,722)	-	(268,722)
Other receivables:			
Intergovernmental:			
Federal	6,283	-	6,283
Miscellaneous receivables	<u>-</u>	<u>1,489</u>	<u>1,489</u>
Totals	<u>\$ 376,103</u>	<u>3,172</u>	<u>379,275</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

NOTE 4. RECEIVABLES (CONTINUED)

Component Unit

As of June 30, 2024, the Housing Authority had the following receivables:

Tenant receivables	\$	15,499
Allowance for doubtful accounts - tenants		-
Grants receivable		-
Notes receivable		-
Total	\$	<u>15,499</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, 2024**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

Governmental Activities	Balance June 30, 2023	Additions	Transfers	Deletions	Balance June 30, 2024
Non-Depreciable Assets					
Land	\$ 3,925,799		-	-	3,925,799
Construction in progress	1,236,981	1,198,966	-	-	2,435,947
Total non-depreciable assets	5,162,780	1,198,966	-		6,361,746
Depreciable Assets					
Buildings and improvement	9,378,266	-	-	-	9,378,266
Land Improvements	563,011	-	-	-	563,011
Equipment	2,709,011	388,923	-	-	3,098,113
Infrastructure	2,979,801	-	-	-	2,979,801
Vehicles	4,149,860	588,913	-	-	4,738,773
Total depreciable assets	19,780,128	977,836			20,757,964
Accumulated Depreciation					
Building and improvements	(6,042,769)	(383,497)	-	-	(6,426,266)
Land Improvements	(38,076)	(2,416)	-	-	(40,492)
Equipment	(2,273,053)	(144,256)	-	-	(2,417,309)
Infrastructure	(1,068,902)	(67,836)	-	-	(1,136,738)
Vehicles	(2,850,302)	(180,891)	-	-	(3,031,193)
Total Accumulated Depreciation	(12,273,102)	(778,896)	-	-	(13,051,998)
Governmental Capital Assets, net	\$ 12,669,806	1,397,906	-	-	14,067,712

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

Governmental Activities:	
General Government	\$ 64,121
Public safety	340,492
Public works	205,131
Public health and welfare	9,692
Culture and recreation	159,459
	<u>\$ 778,895</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2023	Additions	Transfer	Deletions	Balance June 30, 2024
Non-depreciable assets:					
Land	\$ 2,623,071	-	-	-	2,623,071
Construction in progress	4,103,594	2,398,026	-	-	6,501,620
Total non-depreciable assets	6,726,665	2,398,026	-	-	9,124,691
Depreciable assets:					
Building & Improvements	5,390,687	-	-	-	5,390,687
Land Improvements	45,663	-	-	-	45,663
Utility plant	30,593,442	1,358,911	-	-	31,952,353
Equipment	5,372,728	334,494	-	(27,838)	5,679,384
Vehicles	3,816,618	323,890	-	(31,711)	4,108,797
Total depreciable assets	45,219,138	2,017,295	-	(59,549)	47,176,884
Accumulated depreciation:					
Land Improvements	(6,378)	(2,283)	-	-	(8,661)
Building and improvements	(1,933,619)	(106,336)	-	-	(2,039,955)
Utility plant	(7,810,435)	(741,710)	-	27,838	(8,057,705)
Equipment	(3,580,892)	(165,955)	-	31,711	(4,294,764)
Vehicles	(2,521,589)	(247,270)	-	-	(2,655,833)
Total accumulated depreciation	(15,852,913)	(1,263,555)	-	59,549	(17,056,918)
Business-type activities capital assets, net	\$ 36,092,890	3,151,767	-	-	39,244,657

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

Business-Type Activities:	
Joint Utility Fund	\$ 5,031
Electric	357,179
Water	143,473
WWTP	466,140
Airport	150,709
Solid Waste	130,995
Golf Course Fund	10,022
Cemetery Fund	6
	\$ <u>1,263,555</u>

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

NOTE 5. CAPITAL ASSETS (CONTINUED)

The following summarizes changes in capital assets activity for the Authority during fiscal year 2024.

Component Unit	Balance June 30, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Capital assets not being depreciation:					
Land	\$ 637,536	-	-	-	637,536
Construction in progress	11,693	-	11,693	-	-
Total capital assets not being depreciated	649,229	-	-	-	637,536
Depreciable assets:					
Leasehold improvements	917,658	356,168	-	-	1,273,826
Buildings and improvements	6,879,121	143,150	-	-	7,022,271
Dwelling equipment	456,259	17,830	-	-	474,089
Non-dwelling equipment	627,757	40,020	-	-	667,777
Total depreciable assets	8,880,795	557,168	-	-	9,437,963
Accumulated depreciation:					
Leasehold improvements	(727,169)	(51,952)	-	-	(779,121)
Buildings and improvements	(4,985,848)	(102,642)	-	-	(5,088,490)
Dwelling equipment	(326,993)	(30,130)	-	-	(357,123)
Non-dwelling equipment	(529,209)	(43,163)	-	-	(572,372)
Total accumulated depreciation	(6,569,219)	(227,887)	-	-	(6,797,106)
Component unit capital assets, net	\$ 2,960,805	329,281	11,693	-	3,278,393

Depreciation expense for the year ended June 30, 2024, totaled \$227,887 for the Authority.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers and advances consisted of the following as of June 30, 2024:

TRANSFERS

Governmental Funds	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,279,987	1,483,880
Corrections Fund	89,000	-
Law Enforcement	-	1,543
Lodgers Tax	-	55,000
Municipal Street	-	5,000
Recreation	-	4,779
Cannabis Regulations Act	-	138,900
PD GRT	-	89,000
Municipal Pool	50,000	-
Veterans Wall	2,000	-
Golf Course	-	1,420
CDBG	25,000	-
CI Reserve	357,606	63,690
NMFA Projects	50,000	-
Water Trust Board Projects	-	-
Debt Service	689,558	480,247
Other State Funded Projects	538,996	920,748
Business-Type Funds		
Joint Utility Office	345,000	-
Electric Fund	76,095	445,747
Water Fund	4,240,201	4,196,373
WWTP	85,940	121,450
Solid Waste Fund	185,650	360,791
Golf Course	256,420	-
Municipal Airport	182,135	-
Impact Fees	-	108,020
Internal Service	23,000	-
Net Transfers	\$ <u>8,476,588</u>	<u>8,476,588</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
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Governmental Funds	Due To/Due From	
	Due To	Due From
General	\$ 193,002	\$ -
CI Reserve	-	1,251,120
NMFA Projects	46,035	-
Debt Service	-	-
Other State Funded Projects	1,094,587	394
Business-Type Funds		
Impact fees	-	17
Joint Utility Office	-	41,056
Electric Fund	-	137,429
Water Fund	93,780	-
WWTP	2,965	-
Solid Waste Fund	-	7,897
Airport	7,544	-
Net Total	\$ 1,437,913	\$ 1,437,913

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. On May 19, 2023, the City entered into a bond purchase agreement with the New Mexico Finance Authority to purchase the City NM General Obligation Bonds, Series 2023 in the aggregate principal amount of \$790,000 for the improvement or repairing alleys, streets, public roads, bridges & improving or extending the water and wastewater system. The bond bears an interest rate of 2.04% per semi-annum and matures on August 01, 2035. The payment of principal, premium, and interest thereon, whether at maturity or on a redemption date, are paid with net revenues from the City's utility system. As of June 30, 2024, the City has an outstanding balance of \$790,000.

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, 2024, 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, 2024**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities

During the year ended June 30, 2024, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance 6/30/2023	Additions	Retirements	Balance 6/30/2024	Due Within One Year
Police Department Building	\$ 44,165	-	14,510	29,655	14,755
2020 Refunding	822,863	-	115,699	707,164	116,210
NMFA Fire Pumper	23,356	-	23,356	-	-
Law Enforcement Equipment	20,994	-	20,994	-	-
Disadvantaged Funding Infrastructure	228,432	-	-	228,432	-
Infrastructure and IT	480,250	-	114,506	365,744	115,770
Refunding Recreational Loan	863,416	-	138,868	724,548	141,497
Colonias Infrastructure	14,079	27,795	5,000	36,874	-
Cantrell Dam	86,001	63,651	14,697	134,955	-
Booster Station	19,573	123,378	13,207	129,744	-
GO Bonds Series 2023	-	790,000	-	790,000	255,000
Total Notes Payable	2,603,129	1,004,824	460,837	3,147,116	643,232
Compensated Absences	226,096	-	67,841	158,255	52,752
Total Long-term debt	\$ 2,829,225	1,004,824	528,678	3,305,371	695,984

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, 2024, the City has an outstanding balance of \$29,655.

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, 2024, the City has an outstanding balance of \$707,164.

On June 21, 2013, the City borrowed \$228,113 from the New Mexico Finance Authority. The note matures on May 1, 2024, and accrues interest at 0.0071% per annum. The proceeds of the loan were used to acquire a Fire Pumper for use by the City's volunteer fire department. The payments of principal and interest are paid from an interception of the State Fire Marshalls allocation. As of June 30, 2024, the City paid off the outstanding balance of \$23,356.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2024, the City paid off the 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 \$253,374 and \$18,907, respectively. As of June 30, 2024, the City has an outstanding balance of \$228,432 (PPRF-4968-C), \$365,744 (PPRF-4968 B), and \$724,548 (PPRF-4968-A) respectively. For a total of \$1,318,724.

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, 2024, the loan has not been fully drawn down. The City has an outstanding balance of \$134,955.

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, 2024, the loan has not been fully drawn down. The City has an outstanding balance of \$36,874.

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, 2024, the loan has not been fully drawn down. The City has an outstanding balance of \$129,744.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the governmental activities debt as of June 30, 2024, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Admin Fees	Total
2025	643,232	35,056	1,380	679,668
2026	427,453	27,567	1,094	456,114
2027	411,605	22,858	809	435,272
2028	411,050	18,043	554	429,647
2029	432,821	12,873	282	445,976
2030-2034	354,382	29,034	-	383,416
2035-2039	165,000	2,302	-	167,302
	<u>\$ 2,845,543</u>	<u>147,733</u>	<u>4,119</u>	<u>2,997,395</u>

Debt included in amortization schedule	\$ 2,845,543
Debt not fully funded:	
Colonias Infrastructure	36,874
Cantrell Dam	134,955
Booster Station	129,744
Total debt	<u>\$ 3,147,116</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, 2024

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities

	Balance 6/30/2023	Additions	Retirements	Balance 6/30/2024	Due Within One Year
Revenue Bonds					
Series 2012 Solid Waste Revenue	\$ 325,000	-	105,000	220,000	110,000
Total Revenue Bonds	<u>325,000</u>	<u>-</u>	<u>105,000</u>	<u>220,000</u>	<u>110,000</u>
Loans Payable					
NMFA	103,944	-	12,888	91,056	12,911
NMFA	74,584	-	8,287	66,297	8,287
NMFA TorC 19 (66%)	501,790	-	43,572	458,218	44,801
NMFA TorC 19 (34%)	258,843	-	22,476	236,367	23,110
PER/Asset Mgmt Plan	33,359	-	3,313	30,046	3,305
Waste Water Project Design/Construction Phase 2	42,307	-	3,846	38,461	3,846
NMFA	46,395	-	3,867	42,528	3,867
NMFA	18,469	-	15,370	3,099	3,099
NMFA	66,095	-	66,095	-	-
NMFA	8,023	-	458	7,565	450
USDA Debt	803,000	-	17,000	786,000	17,000
USDA WWTP	675,653	-	13,470	662,183	13,659
USDA WWTP	298,784	-	5,506	293,278	5,640
Water System Improvement	5,128,690	358,310	-	5,487,000	170,908
Equipment Loan	1,245,883	-	77,113	1,168,770	163,373
High-risk Water Lines Water System Improvement (PH2)	59,579	538,996	-	598,575	-
	-	50,000	2,500	47,500	2,500
Total Loans Payable	<u>9,365,398</u>	<u>947,306</u>	<u>295,761</u>	<u>10,016,943</u>	<u>476,756</u>
Compensated Absences	88,735	1,911	-	90,646	30,216
Total Long-term debt	<u>\$ 9,779,133</u>	<u>949,217</u>	<u>400,761</u>	<u>10,327,589</u>	<u>616,972</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 30, 2024, the City has an outstanding balance of \$220,000.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

NOTE 7. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the revenue bonds as of June 30, 2024, including interest payments, are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2025	110,000	8,690	118,690
2026	110,000	-	110,000
Total \$	220,000	8,690	228,690

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 $\frac{1}{4}$ of 1%. The proceeds of the loan were used for ground storage tanks. The payments of principal and interest are paid from net revenues from the City's utility system. At June 30, 2024 the City has an outstanding balance of \$91,056.

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, 2024 the City has an outstanding balance of \$66,297.

On August 17, 2012, the City borrowed \$1,424,865 from the New Mexico Finance Authority. The note matures on May 1, 2033, and accrues interest at 3.00% per annum with an administrative fee component of $\frac{1}{4}$ of 1%. The proceeds of the loan were used to refinance Revenue Bonds 95, 96, and 98. The payments of principal and interest are paid from pledged net revenues from the City's utility system. At June 30, 2024 the City has an outstanding balance of \$694,585.

On March 21, 2014, the City borrowed \$64,000 from the New Mexico Finance Authority. The note matures on June 1, 2033, and accrues interest at 0% per annum and an administrative fee of $\frac{1}{4}$ of 1%. The proceeds of the loan were used for storage, conveyance, or delivery of water to end users and included 2 planning reports. The payments of principal and administrative fees are paid from pledged net revenues from the City's utility system. At June 30, 2024 the City has an outstanding balance of \$30,046.

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, 2024 the City has an outstanding balance of \$38,461.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

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, 2024 the City has an outstanding balance of \$42,528.

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, 2024 the City has an outstanding balance of \$3,099 (\$0 Electric and \$3,099 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, 2024, the City has an outstanding balance of \$7,565.

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, 2024, the City has an outstanding balance of \$786,000.

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, 2024, the City has an outstanding balance of \$662,183.

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, 2024, the City has an outstanding balance of \$293,278.

**STATE OF NEW MEXICO
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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, 2024, the City has an outstanding balance of \$598,575

On November 29, 2021, the City entered into a loan agreement with Bank of the Southwest in the amount of \$5,487,000. The 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, 2024, the City has an outstanding balance on the loan of \$5,487,000.

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, 2024, the City has an outstanding balance on the loan of \$1,168,770.

On March 18, 2022 the City borrowed \$50,000 and had \$450,000 in grant for a total of \$500,00 from the New Mexico Finance Authority Colonias Infrastructure Project Fund for the purpose of water system improvements. The loan matures June 1, 2043 with an interest rate of 0%. As of June 30, 2024, the City has an outstanding balance on the loan of \$47,500.

The annual requirement to amortize the loan payables as of June 30, 2024, including interest payments, are as follows:

Year Ending June, 30,		Principal	Interest	Total
2025	\$	476,756	302,607	779,363
2026		398,080	188,055	586,135
2027		404,685	179,496	584,181
2028		410,564	170,727	581,291
2029		418,332	161,024	579,356
2030-2034		1,523,457	679,523	2,202,980
2035-2039		830,492	563,241	1,393,733
2040-2044		911,715	474,143	1,385,858
2045-2049		1,000,536	374,881	1,375,417
2050-2054		1,110,159	264,925	1,375,084
2055-2059		1,132,861	144,974	1,277,835
2060-2063		800,731	34,346	835,077
	\$	<u>9,418,368</u>	<u>3,537,942</u>	<u>12,956,310</u>

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. LONG-TERM DEBT (CONTINUED)

Debt included in amortization schedule	\$ 9,418,368
Debt not fully funded:	
High-risk Water Lines	598,575
Total debt	<u>\$ 10,016,943</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 2024:

	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
	<u>6/30/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2024</u>	<u>Within One Year</u>
USDA Loans Hacienda Orgullo #1	\$ 177,219	-	24,251	152,968	19,743
USDA Loans Hacienda Orgullo #2	55,039	-	7,582	47,457	6,733
USDA Loan Puesta Del Sol	360,067	-	17,631	342,436	19,843
Compensated absences	15,717	69,343	65,901	19,159	-
Total Long-term debt	\$ 608,042	69,343	115,365	562,020	46,319

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

Compensated absences increased by \$3,442 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.

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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, 2024
USDA Loan Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140	152,968
USDA Loan Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000	47,457
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788	342,436
Total Loans						<u>542,861</u>

Debt service requirements on long-term debt at June 30, 2024, are as follows:

Fiscal Year Ending June 30, 2024	Principal	Interest	Total Debt Service
2025	46,319	56,883	103,202
2026	51,799	51,065	102,864
2027	57,929	44,559	102,488
2028	64,785	37,285	102,070
2029	72,456	27,617	100,073
2030-2034	<u>249,573</u>	<u>69,028</u>	<u>318,601</u>
	<u>\$ 542,861</u>	<u>\$ 286,437</u>	<u>\$ 829,298</u>

NOTE 8. RESTRICTED FUND BALANCES

Fund balances were restricted for the following purposes:

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

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

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 parties 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

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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 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 a \$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.

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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.

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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. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least five 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 5 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.

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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 FY23						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	10.42%	18.24%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 – 4						
Municipal Plan 1 (plan open to new employers)	7.0%	9.0%	8.15%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	11.15%	10.30%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	15.65%	10.30%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.65%	12.80%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 – 5						
Municipal Police Plan 1	7.0%	9.0%	11.15%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	9.0%	16.15%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	9.0%	19.65%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	14.35%	19.65%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	18.30%	19.65%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	11.50%	12.15%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	11.50%	18.65%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	11.50%	22.40%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	16.30%	22.40%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	19.70%	22.40%	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%	10.42%	18.74%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	7.78%	27.87%	3.0%	3.0%	90%

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2024, the City reported a liability of \$9,126,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2024 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2023. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2024. 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, 2024, the City reported a liability of \$6,783,561 for its proportionate share of the net pension liability. At June 30, 2023, the City's proportion was .32036% percent, which was a decrease of 0.00244% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2024, the City recognized PERA Fund Division Municipal General pension expense of \$960,915. At June 30, 2024, 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	\$ 509,134	82,788
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	637,815	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	62,554	105,466
City's contributions subsequent to the measurement date	359,424	-
Total	<u>\$ 1,568,927</u>	<u>188,254</u>

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

\$359,424 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:		
2025	\$	340,834
2026		35,149
2027		587,190
2028		58,076
2029		
Thereafter		-

For PERA Fund Division Municipal Police, at June 30, 2024, the City reported a liability of \$2,342,495 for its proportionate share of the net pension liability. At June 30, 2023, the City's proportion was 0.2429% percent, which was an increase of 0.02586% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2024, the City recognized PERA Fund Division Municipal Police pension expense of \$310,130. At June 30, 2024, 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	\$ 200,663	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	194,551	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	162,882	92,355
City's contributions subsequent to the measurement date	159,380	-
Total	<u>\$ 717,476</u>	<u>92,355</u>

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

\$159,380 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		
2025	\$	(9,483)
2026		17,731
2027		(76,205)
2028		121,218
2029		-
Thereafter		-

Component Unit

For PERA Fund Municipal General Division, at June 30, 2024, the Truth or Consequences Housing Authority reported a liability of \$1,823,786 for its proportionate share of the net pension liability. At June 30, 2023, the Housing Authority's proportion was .08613%, which was a decrease of 0.00617% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Truth or Consequences Housing Authority recognized PERA Fund Municipal General Division pension expense of \$204,155. At June 30, 2024, 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	\$ 136,883	22,258
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	171,479	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	40,279	131,223
Authority's contributions subsequent to the measurement date	105,096	-
Total	<u>\$ 453,737</u>	<u>153,481</u>

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

\$105,096 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, 2025. 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		
2025	\$	63,805
2026		(30,832)
2027		146,573
2028		15,614
2029		-
Thereafter		-

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2022
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)

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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, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2023. These assumptions were adopted by the Board use in the June 30, 2022 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	38.00%	6.90%
Risk Reduction & Mitigation	17.00%	3.90%
Credit Oriented Fixed Income	19.00%	6.00%
Real Assets	18.00%	7.00%
Multi-Risk Allocation	8.00%	0.61%
Total	100.0%	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2023. 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:

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

PERA Fund Division Municipal General

		Current Discount Rate (7.25%)	1% Increase (8.25%)
	1% Decrease (6.25%)		
City's proportionate share of the net pension liability	\$ 9,835,149	6,783,561	4,246,407

PERA Fund Division Municipal Police

		Current Discount Rate (7.25%)	1% Increase (8.25%)
	1% Decrease (6.25%)		
City's proportionate share of the net pension liability	\$ 3,373,387	2,342,495	1,498,656

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, 2024 the City had no outstanding contributions to the pension plan and therefore, had no payables reported as of June 30, 2024.

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

		Current Discount Rate (7.25%)	1% Increase (8.25%)
	1% Decrease (6.25%)		
Housing Authority's proportionate share of the net pension liability	\$ 2,644,217	1,823,786	1,141,663

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

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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, 2023, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefit	12,552
Current active members	93,595
	<u>159,125</u>
Active membership	
State general	18,462
State police and corrections	1,260
Municipal general	17,283
Municipal police	3,169
Municipal fire	2,419
Educational Retirement Board	51,002
	<u>93,595</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 \$129,601 for the year ended June 30, 2024.

STATE OF NEW MEXICO
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**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 \$15,203 for the year ended June 30, 2024.

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

At June 30, 2024, the City reported a liability of \$1,231,487 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2023. At June 30, 2023 the City’s proportion was 0.0747 percent.

For the year ended June 30, 2024, the City recognized OPEB income of \$386,565. At June 30, 2024 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	\$ 20,818	222,961
Changes in assumptions	236,995	1,161,705
Change in proportion	152,075	290,160
Net difference between projected and actual earnings on OPEB plan investments	26,331	-
Employer contributions subsequent to the measurement date	86,401	-
Total	\$ 522,620	1,674,826

Deferred outflows of resources totaling \$86,401 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, 2024. 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, 2024

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

Year ended June 30:		
2025	\$	(359,025)
2026		(229,911)
2027		(313,510)
2028		(257,385)
2029		(78,776)
Total	\$	<u>(1,238,607)</u>

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

At June 30, 2024, the Authority reported a liability of \$220,289 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2023. At June 30, 2023, the Authority's proportion was 0.01294 percent, a decrease of .00116 percent over June 30, 2022.

For the year ended June 30, 2024, the Authority recognized OPEB expense of \$68,445. At June 30, 2024 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	\$ 3,724	39,883
Changes in assumptions	42,394	207,806
Changes in proportions	54,299	106,825
Net difference between projected and actual earnings on OPEB plan investments	4,710	-
Employer contributions subsequent to the measurement date	15,203	-
Total	\$ <u>120,330</u>	<u>354,514</u>

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Deferred outflows of resources totaling \$15,203 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, 2025. 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:		
2025	\$	(66,955)
2026		(53,463)
2027		(56,365)
2028		(54,358)
2029		(18,246)
Total	\$	<u>(249,387)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions:

Valuation date	June 30, 2023
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	3.00% 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 8.5% graded down to 4.5% over 16 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%.

**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:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	1.6%
U.S. equity – large cap	6.9%
Non U.S. – emerging markets	8.7%
Non U.S. – developed equities	7.2%
Private equity	10.0%
Credit and structured finance	3.7%
Real estate	3.6%
Absolute return	3.2%
U.S. equity – small/mid cap	6.9%

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 6.22% as of June 30, 2023. 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, 2070. 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 2070. Beyond 2070, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.65%) was applied. Thus, 6.22% is the blended discount rate.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

**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 6.22% as of June 30, 2023, 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 (5.22%)	Current Discount Rate (6.22%)	1% Increase (7.22%)
\$	<u>1,552,602</u>	<u>1,231,487</u>	<u>971,194</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>1,019,546</u>	<u>1,231,487</u>	<u>1,474,895</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, 2023.

Payables changes in the net OPEB liability. At June 30, 2024, 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 6.22% as of June 30, 2023, 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 (5.22%)	Current Discount Rate (6.22%)	1% Increase (7.22%)
\$	<u>277,730</u>	<u>220,289</u>	<u>173,727</u>

**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>182,377</u>	<u>220,289</u>	<u>263,830</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, 2023.

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

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 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.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections, effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of this Statement had no effect on the City’s financial statements.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2024.

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risks Disclosures

GASB Statement No. 103, Financial Reporting Model Improvements

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, 2024.

NOTE 16. SUBSEQUENT EVENTS

Events subsequent to June 30, 2024, have been evaluated by management through December 13, 2024, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2024, require adjustment or disclosure in the financial statement.

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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</u>	<u>Interest</u>	<u>Total</u>
	<u>Payments</u>	<u>Payments</u>	
2025	\$ 59,257	18,201	77,458
2026	60,437	33,161	93,598
2027	55,360	16,442	71,802
2028	42,496	15,695	58,191
2029	41,517	14,978	56,495
2030-2034	128,847	66,103	194,950
2035-2039	100,503	50,779	151,282
2040-2044	76,815	44,888	121,703
2045-2049	18,045	28,522	46,567
2050-2054	2,750	34,750	37,500
2055-2059	3,307	34,193	37,500
2060-2064	3,945	33,555	37,500
2065-2069	4,778	32,722	37,500
2070-2074	5,744	31,756	37,500
2075-2079	6,905	30,595	37,500
2080-2084	8,301	29,199	37,500
2085-2089	9,978	27,522	37,500
2090-2094	11,995	25,505	37,500
2095-2099	14,419	23,081	37,500
2100-2104	17,333	20,167	37,500
2105-2109	20,836	16,664	37,500
2110-2114	25,047	12,453	37,500
2115-2119	30,109	7,393	37,502
2120-2124	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, 2024**

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>
2025	\$	23,678	203	23,881
2026		23,030	89	23,119
2027		4,573	8	4,581
2028		768	-	768
	\$	52,049	300	52,349

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 2024. The current year's 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, 2024 is \$766,199.

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, 2024

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Public Employees Retirement Association (PERA) For Last 10 Fiscal Years										
	30-Jun									
Fiscal Year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)										
Municipal General	0.3204%	0.3228%	0.3341%	0.3140%	0.2844%	0.3050%	0.2907%	0.2954%	0.2908%	0.3329%
Municipal Police	0.2429%	0.2170%	0.2487%	0.2235%	0.2726%	0.2449%	0.2673%	0.2561%	0.2958%	0.2904%
Component Unit - Municipal General	0.0861%	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	\$ 6,783,561	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	2,342,495	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	1,823,786	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>\$ 10,949,842</u>	<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	3,140,642	3,140,642	3,319,561	2,595,131	2,861,475	2,550,738	2,246,083	2,439,725	2,412,182
Municipal Police	605,793	527,684	527,684	557,963	607,558	537,439	550,728	838,111	934,075	774,305
Component Unit - Municipal General	984,691	784,487	758,805	661,805	664,249	631,909	617,593	571,154	605,461	583,664
	<u>\$ 4,952,074</u>	<u>4,452,813</u>	<u>4,427,131</u>	<u>4,539,329</u>	<u>3,866,938</u>	<u>4,030,823</u>	<u>3,719,059</u>	<u>3,655,348</u>	<u>3,979,261</u>	<u>3,770,151</u>
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll										
Municipal General	201.80%	182.30%	119.84%	191.28%	189.71%	169.94%	156.60%	210.12%	121.53%	107.66%
Municipal Police	386.68%	330.55%	243.76%	344.03%	331.43%	310.91%	269.65%	225.46%	149.50%	124.53%
Component Unit - Municipal General	185.21%	208.69%	149.99%	269.20%	239.50%	237.93%	198.46%	225.46%	131.69%	131.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.26%	69.35%	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CITY CONTRIBUTIONS
JUNE 30, 2024**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions in relation to the contractually required										
Municipal General	\$ 359,424	360,775	307,783	312,252	325,317	247,835	273,271	243,595	241,619	229,899
Municipal Police	159,380	118,921	101,051	121,349	106,850	114,829	101,576	104,088	96,273	107,568
Component Unit - Municipal General										
	105,096	100,271	84,436	93,333	81,402	80,042	76,145	74,420	68,824	72,958
	<u>\$ 623,900</u>	<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>406,716</u>	<u>410,425</u>
Contractually required contributions										
Municipal General	\$ 359,424	360,775	307,783	312,252	325,317	247,835	273,271	243,595	241,619	229,899
Municipal Police	159,380	118,921	101,051	121,349	106,850	114,829	101,576	104,087	96,273	107,568
Component Unit - Municipal General										
	105,096	100,271	84,436	93,333	81,402	80,042	76,145	74,420	68,824	72,958
	<u>\$ 623,900</u>	<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>406,716</u>	<u>410,425</u>
City's covered payroll										
Municipal General	\$ 3,333,858	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	791,664	605,793	527,684	600,126	557,963	607,558	537,439	550,728	838,111	934,075
Component Unit - Municipal General										
	984,691	784,487	797,161	758,805	661,805	664,249	631,909	617,593	571,154	605,461
	<u>\$ 5,110,213</u>	<u>4,751,870</u>	<u>4,465,487</u>	<u>4,501,066</u>	<u>4,539,329</u>	<u>3,866,938</u>	<u>4,030,823</u>	<u>3,719,059</u>	<u>3,655,348</u>	<u>3,979,261</u>
Contributions "in relation" as a percentage of covered payroll										
Municipal General	10.78%	10.73%	9.80%	9.94%	9.80%	9.55%	9.55%	9.55%	10.76%	10.24%
Municipal Police	20.13%	19.63%	19.15%	20.22%	19.15%	18.90%	18.90%	18.90%	11.49%	12.83%
Component Unit - Municipal General										
	10.67%	12.78%	10.59%	12.30%	12.30%	12.05%	12.05%	12.05%	12.05%	12.05%

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2024

New Mexico Retiree Healthcare Authority
For Last 10 Fiscal Years*

	Fiscal Year Measurement Date	30-Jun						
		2024 2023	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017
City's Proportion of the Net OPEB liability		0.07232%	0.07470%	0.08100%	0.07534%	0.07443%	0.07961%	0.07837%
Component Unit's Proportion of the Net OPEB Liability		0.01294%	0.01410%	0.01576%	0.01368%	0.01497%	0.01431%	0.01436%
City's Proportionate Share of the Net OPEB Liability	\$	1,231,487	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	\$	220,289	325,901	518,559	574,411	485,385	622,249	650,748
City's Covered Payroll	\$	3,581,075	3,972,867	3,737,538	3,238,201	3,105,911	3,415,760	3,264,618
Component Unit's Covered Payroll	\$	760,169	730,864	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		34.39%	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		28.98%	44.59%	68.31%	86.79%	73.24%	98.43%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		44.16%	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, 2024**

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

	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution - City	\$ 86,401	82,486	75,929	72,458	65,883	124,404	248,862
Contractually Required Contribution - Component Unit	15,203	14,617	14,322	15,182	13,237	13,257	12,645
Contributions in Relation to the Contractually Required Contribution - City	(86,401)	(82,486)	(75,929)	(72,458)	(65,883)	122,885	124,901
Contributions in Relation to the Contractually Required Contribution - Component Unit	<u>(15,203)</u>	<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>	<u>-</u>
Employer's covered payroll - City	\$ 4,122,158	3,972,867	3,796,450	3,483,095	3,105,911	3,415,760	3,264,618
Employer's covered payroll - Component Unit	760,169	730,864	716,083	759,114	661,850	662,764	632,179
Contributions as a percentage of covered payroll - City	2.10%	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%	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, 2024**

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, 2023 report is available at <https://www.nmpera.org/financial-overview/retirement-fund-valuation-report/>.

Retiree Health Care Authority (RHCA). In the total OPEB liability measured as of June 30, 2023, changes in assumptions include adjustments resulting from an increase in the discount rate from 5.42% to 6.22%.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2024**

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 Retention - 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.

Law Enforcement Recruitment - 213

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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2024**

Special Revenue Funds (Continued)

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 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.

USDA Street Sweeper - 308

To account for the federal grant received to purchase a Street Sweeper. 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.

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NON-MAJOR FUNDS
June 30, 2024**

Capital Projects Funds (continued)

Other State Funded Projects – 380

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

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.

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**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024**

	Special Revenue		
	Correction Fees	Fire Protection	Law Enforcement
	201	209	Protection
	211		
<i>Assets</i>			
Cash and cash equivalents	\$ 108,900	825,767	-
Restricted cash and cash equivalents	-	-	-
Receivables:			
Other taxes	-	-	-
Due from other governments	-	-	-
Miscellaneous receivables	-	-	-
Due from other funds	-	394	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 108,900</u>	<u>826,161</u>	<u>-</u>
<i>Liabilities</i>			
Accounts payable	\$ -	1,400	-
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>1,400</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable			
Inventory	-	-	-
Spendable:			
Restricted for:			
Public Safety	108,900	-	-
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Fire protection	-	824,761	-
Veteran's Wall	-	-	-
Capital projects	-	-	-
Unassigned	-	-	-
<i>Total fund balances</i>	<u>108,900</u>	<u>824,761</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 108,900</u>	<u>826,161</u>	<u>-</u>

Special Revenue				
Law Enforcement Retention 212	Law Enforcement Recruitment 213	Lodger's Tax 214	Municipal Streets Fund 216	Recreation Fund 217
-	1,119	919,544	1,335,142	-
-	-	-	48,702	-
-	-	42,167	92,022	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	29,760	-
-	1,119	961,711	1,505,626	-
-	-	15,135	19,420	-
-	-	-	-	-
-	-	-	-	-
-	-	15,135	19,420	-
-	-	-	29,760	-
-	-	-	-	-
-	1,119	-	1,456,446	-
-	-	946,576	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,119	946,576	1,486,206	-
-	1,119	961,711	1,505,626	-

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024**

	Special Revenue		
	American Rescue Plan 260	Cannabis Regulation 280	Veteran's Wall Perpetual Care 293
<i>Assets</i>			
Cash and cash equivalents	\$ -	9,908	550
Restricted cash and cash equivalents	49,693	-	-
Receivables:			
Other taxes	-	12,561	-
Due from other governments	-	-	-
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 49,693</u>	<u>22,469</u>	<u>550</u>
<i>Liabilities</i>			
Accounts payable	\$ -	-	-
Accrued payroll	-	-	-
Due to other funds	5,447	-	-
<i>Total liabilities</i>	<u>5,447</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable			
Inventory	-	-	-
Spendable:			
Restricted for:			
Public Safety	-	-	-
Culture and recreation	44,246	-	-
Transportation and roads	-	-	-
Fire protection	-	-	-
Veteran's Wall	-	22,469	-
Capital projects	-	-	-
Unassigned	-	-	550
<i>Total fund balances</i>	<u>44,246</u>	<u>22,469</u>	<u>550</u>
<i>Total liabilities and fund balances</i>	<u>\$ 49,693</u>	<u>22,469</u>	<u>550</u>

State Library 294	Municipal Pool 295	Special Revenue		Total Special Revenue
		Police Department GRT Fund 296	Special Revenue Funds 299	
4,599	52,159	242,061	754	3,500,503
-	-	-	-	98,395
-	-	57,000	-	203,750
11	-	-	-	11
-	1,132	-	-	1,132
-	-	-	-	394
-	4,992	-	-	34,752
4,610	58,283	299,061	754	3,838,937
-	4,225	-	-	40,180
-	3,638	-	-	3,638
8,000	-	-	-	13,447
8,000	7,863	-	-	57,265
-	4,992	-	-	34,752
-	-	299,061	754	408,715
-	45,428	-	-	1,547,239
-	-	-	-	946,576
-	-	-	-	824,761
-	-	-	-	22,469
-	-	-	-	-
(3,390)	-	-	-	(2,840)
(3,390)	50,420	299,061	754	3,781,672
4,610	58,283	299,061	754	3,838,937

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024**

	Capital Projects		
	Veteran's Wall	Senior	Capital
	303	Transportation	Expenditures
	303	304	305
<i>Assets</i>			
Cash and cash equivalents	\$ 2,368	88,919	85,494
Restricted cash and cash equivalents	-	-	-
Receivables:			
Other taxes	-	-	-
Due from other governments	-	-	-
Miscellaneous receivables	-	-	-
Due from other funds	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 2,368</u>	<u>88,919</u>	<u>85,494</u>
<i>Liabilities</i>			
Accounts payable	\$ -	-	-
Accrued payroll	-	-	-
Due to other funds	-	92,000	-
<i>Total liabilities</i>	<u>-</u>	<u>92,000</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable			
Inventory	-	-	-
Spendable:			
Restricted for:			
Public Safety	-	-	-
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Fire protection	-	-	-
Veteran's Wall	-	-	-
Capital projects	2,368		85,494
Unassigned	-	(3,081)	-
<i>Total fund balances</i>	<u>2,368</u>	<u>(3,081)</u>	<u>85,494</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,368</u>	<u>88,919</u>	<u>85,494</u>

Capital Projects					
Golf Course Improvement 307	CDBG 314	Water Trust Board Fund 370	Other State Funded Projects 380	Total Capital Projects	Total Nonmajor Governmental Funds
-	22,188	262,411	626,841	1,088,221	4,588,724
-	-	-	-	-	98,395
-	-	-	-	-	203,750
-	-	-	-	-	11
-	-	-	-	-	1,132
-	-	-	-	-	394
-	-	-	-	-	34,752
-	22,188	262,411	626,841	1,088,221	4,927,158
-	-	19,427	-	19,427	59,607
-	-	-	-	-	3,638
-	-	327,884	661,256	1,081,140	1,094,587
-	-	347,311	661,256	1,100,567	1,157,832
-	-	-	-	-	34,752
-	-	-	-	-	408,715
-	-	-	-	-	1,547,239
-	-	-	-	-	946,576
-	-	-	-	-	824,761
-	-	-	-	-	22,469
-	22,188	-	-	110,050	110,050
-	-	(84,900)	(34,415)	(122,396)	(125,236)
-	22,188	(84,900)	(34,415)	(12,346)	3,769,326
-	22,188	262,411	626,841	1,088,221	4,927,158

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, 2024

	Special Revenue		
	Correction Fees	Fire Protection	Law Enforcement
	201	209	Protection
	211		
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	-	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal capital grants	-	-	-
State operating grants	-	376,085	113,000
State capital grants	-	-	-
Charges for services	1,254	-	-
Investment income	-	964	-
Miscellaneous	-	100	-
<i>Total revenues</i>	<u>1,254</u>	<u>377,149</u>	<u>113,000</u>
<i>Expenditures:</i>			
Current:			
General government	-	-	-
Public safety	43,603	260,149	69,238
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	378,011	52,999
<i>Total expenditures</i>	<u>43,603</u>	<u>638,160</u>	<u>122,237</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(42,349)</u>	<u>(261,011)</u>	<u>(9,237)</u>
Other Financing Sources (Uses)			
Transfers, in	89,000	-	-
Transfers, out	-	-	-
<i>Total other financing sources (uses)</i>	<u>89,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	46,651	(261,011)	(9,237)
<i>Fund balances - beginning of year (deficit)</i>	<u>62,249</u>	<u>1,085,772</u>	<u>9,237</u>
<i>Fund balances, end of year</i>	<u>\$ 108,900</u>	<u>824,761</u>	<u>-</u>

Special Revenue

Law Enforcement Retention 212	Law Enforcement Recruitment 213	Lodger's Tax 214	Municipal Streets Fund 216	Recreation Fund 217
-	-	-	-	-
-	-	483,657	-	-
-	-	-	816,257	-
-	-	-	-	-
112,500	225,000	-	25,781	-
-	-	-	-	-
-	-	102,734	-	-
-	-	641	1,007	2
-	-	-	-	-
112,500	225,000	587,032	843,045	2
-	223,881	342,098	1,336	-
112,500	-	-	-	-
-	-	-	536,220	-
-	-	-	-	-
-	-	-	54,222	-
112,500	223,881	342,098	591,778	-
-	1,119	244,934	251,267	2
-	-	-	-	-
(1,543)	-	(55,000)	(5,000)	(4,779)
(1,543)	-	(55,000)	(5,000)	(4,779)
(1,543)	1,119	189,934	246,267	(4,777)
1,543	-	756,642	1,239,939	4,777
-	1,119	946,576	1,486,206	-

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, 2024

	Special Revenue		
	American Rescue Plan 260	Cannabis Regulation 280	Veteran's Wall Perpetual Care 293
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	72,346	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal capital grants	-	-	-
State operating grants	-	-	-
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>72,346</u>	<u>-</u>
<i>Expenditures:</i>			
Current:			
General government	5,447	1,875	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	600
Capital outlay	338,222	-	-
<i>Total expenditures</i>	<u>343,669</u>	<u>1,875</u>	<u>600</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(343,669)</u>	<u>70,471</u>	<u>(600)</u>
Other Financing Sources (Uses)			
Transfers, in	-	-	-
Transfers, out	-	(138,900)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(138,900)</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(343,669)</u>	<u>(68,429)</u>	<u>(600)</u>
<i>Fund balances - beginning of year (deficit)</i>	<u>387,915</u>	<u>90,898</u>	<u>1,150</u>
<i>Fund balances, end of year</i>	<u>\$ 44,246</u>	<u>22,469</u>	<u>550</u>

State Library 294	Special Revenue			Total Special Revenue
	Municipal Pool 295	Police Department GRT Fund 296	Special Revenue Funds 299	
-	647	-	-	72,993
-	-	-	-	483,657
-	-	-	-	816,257
-	-	-	-	-
-	-	-	-	-
20,184	-	-	-	872,550
-	-	-	-	-
-	14,195	372,221	-	490,404
-	-	136	307	3,057
4,766	-	-	-	4,866
24,950	14,842	372,357	307	2,743,784
-	-	-	-	574,637
-	-	92,018	-	577,508
-	-	-	-	536,220
27,530	112,261	-	-	140,391
-	9,989	145,000	-	978,443
27,530	122,250	237,018	-	2,807,199
(2,580)	(107,408)	135,339	307	(63,415)
-	50,000	-	-	139,000
-	-	(89,000)	-	(294,222)
-	50,000	(89,000)	-	(155,222)
(2,580)	(57,408)	46,339	307	(218,637)
(810)	107,828	252,722	447	4,000,309
(3,390)	50,420	299,061	754	3,781,672

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, 2024

	Capital Projects		
	Veteran's Wall	Senior	Capital
	303	Transportation	Expenditures
	303	304	305
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	-	-
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental			
Federal capital grants	-	-	-
State operating grants	-	221,550	-
State capital grants	-	-	-
Charges for services	-	-	-
Investment income	-	-	67
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>221,550</u>	<u>67</u>
<i>Expenditures:</i>			
Current:			
General government	-	35,000	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	2,489	111,390	-
Capital outlay	-	85,175	-
<i>Total expenditures</i>	<u>2,489</u>	<u>231,565</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,489)</u>	<u>(10,015)</u>	<u>67</u>
<i>Other Financing Sources (Uses)</i>			
Proceeds from loans			
Transfers, in	2,000	-	-
Transfers, out	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(489)</u>	<u>(10,015)</u>	<u>67</u>
<i>Fund balances - beginning of year (deficit)</i>	<u>2,857</u>	<u>6,934</u>	<u>85,427</u>
<i>Fund balances, end of year</i>	<u>\$ 2,368</u>	<u>(3,081)</u>	<u>85,494</u>

Capital Projects					
Golf Course Improvement 307	CDBG 314	Water Trust Board Fund 370	Other State Funded Projects 380	Total Capital Projects	Total Nonmajor Governmental Funds
-	-	-	-	-	72,993
-	-	-	-	-	483,657
-	-	-	-	-	816,257
-	-	95,479	-	95,479	95,479
-	-	425,753	542,682	1,189,985	2,062,535
-	-	-	-	-	-
-	-	-	-	-	490,404
-	-	-	-	67	3,124
-	-	-	-	-	4,866
-	-	521,232	542,682	1,285,531	4,029,315
-	2,812	-	(531)	37,281	611,918
-	-	-	-	-	577,508
-	-	541,502	211,576	753,078	1,289,298
-	-	-	-	113,879	254,270
-	-	267,622	-	352,797	1,331,240
-	2,812	809,124	211,045	1,257,035	4,064,234
-	(2,812)	(287,892)	331,637	28,496	(34,919)
-	-	187,026	-	187,026	187,026
-	25,000	-	538,996	565,996	704,996
(1,420)	-	-	(920,748)	(922,168)	(1,216,390)
(1,420)	25,000	187,026	(381,752)	(169,146)	(324,368)
(1,420)	22,188	(100,866)	(50,115)	(140,650)	(359,287)
1,420	-	15,966	15,700.00	128,304	4,128,613
-	22,188	(84,900)	(34,415)	(12,346)	3,769,326

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2024

	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	\$ 200,228	65,269	51,753	317,250
Receivables:				
Charges for services, net	-	1,340	343	1,683
Due from other funds	17	-	-	17
Total current assets	200,245	66,609	52,096	318,950
Noncurrent assets				
Restricted cash	19,646	-	-	19,646
Capital assets	-	145,849	1,056,511	1,202,360
Less: Accumulated depreciation	-	(26,941)	(467,390)	(494,331)
Total noncurrent assets	19,646	118,908	589,121	727,675
Total assets	219,891	185,517	641,217	1,046,625
DEFERRED OUTFLOWS - PENSION RELATED	-	-	22,864	22,864
DEFERRED OUTFLOWS - OPEB RELATED	-	-	5,226	5,226
Total Deferred Outflows	-	-	28,090	28,090
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	-	1,062	3,353.00	4,415
Accrued payroll	-	-	6,151	6,151
Accrued compensated absences	-	-	863	863
Total current liabilities	-	1,062	10,367	11,429
Non-Current Liabilities				
Compensated absences	-	-	1,726	1,726
Net pension liability	-	-	91,261	91,261
Net OPEB liability	-	-	12,315	12,315
Total non-current liabilities	-	-	105,302	105,302
Total liabilities	-	1,062	115,669	116,731
DEFERRED INFLOWS - PENSION RELATED	-	-	2,806	2,806
DEFERRED INFLOWS - OPEB RELATED	-	-	16,748	16,748
Total deferred inflows	-	-	19,554	19,554
Net position				
Net investment in capital assets	-	118,908	589,121	708,029
Unrestricted	219,891	65,547	(55,037)	230,401
Total net position	\$ 219,891	184,455	534,084	938,430

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, 2024

	Business Type Activities - Enterprise Funds			
	Impact Fees 301	Cemetery 501	Golf Course 508	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>				
Charges for services	\$ 2,100	15,935	8,281	26,316
<i>Total revenues</i>	<u>2,100</u>	<u>15,935</u>	<u>8,281</u>	<u>26,316</u>
<i>Operating Expenses</i>				
General operating	2,251	10,038	79,017	91,306
Personnel services	-	-	198,094	198,094
Depreciation	-	6	10,022	10,028
Utilities	-	-	35,159	35,159
<i>Total operating expenses</i>	<u>2,251</u>	<u>10,044</u>	<u>322,292</u>	<u>334,587</u>
<i>Operating income (loss)</i>	<u>(151)</u>	<u>5,891</u>	<u>(314,011)</u>	<u>(308,271)</u>
<i>Nonoperating revenues (expenses)</i>				
Investment income	2,978	49	34	3,061
Miscellaneous income	-	-	62,027	62,027
<i>Total non-operating revenues (expenses)</i>	<u>2,978</u>	<u>49</u>	<u>62,061</u>	<u>65,088</u>
<i>Income (loss) before contributions and transfers</i>	<u>2,827</u>	<u>5,940</u>	<u>(251,950)</u>	<u>(243,183)</u>
Transfers in	-	-	256,420	256,420
Transfers out	(108,020)	-	-	(108,020)
<i>Change in net position</i>	<u>(105,193)</u>	<u>5,940</u>	<u>4,470</u>	<u>(94,783)</u>
Net position - beginning	<u>325,084</u>	<u>178,515</u>	<u>529,614</u>	<u>1,033,213</u>
<i>Net position - end of year</i>	<u>\$ 219,891</u>	<u>184,455</u>	<u>534,084</u>	<u>938,430</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2024

	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	\$ 2,100	15,935	13,525	31,560
Cash payments to suppliers for goods and services	(2,268)	(11,936)	(317,339)	(331,543)
<i>Net cash provided (used) by operating activities</i>	<u>(168)</u>	<u>3,999</u>	<u>(303,814)</u>	<u>(299,983)</u>
<i>Cash flows from noncapital financing activities</i>				
Miscellaneous income	2,978	49	62,061	65,088
Transfers	(108,020)	-	256,420	148,400
<i>Net cash provided by noncapital financing activities</i>	<u>(105,042)</u>	<u>49</u>	<u>318,481</u>	<u>213,488</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>(105,210)</u>	<u>4,048</u>	<u>14,667</u>	<u>(86,495)</u>
Cash and cash equivalents - beginning of year	<u>325,084</u>	<u>61,221</u>	<u>37,086</u>	<u>423,391</u>
Cash and cash equivalents - end of year	<u>\$ 219,874</u>	<u>65,269</u>	<u>51,753</u>	<u>336,896</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ (151)	5,891	(314,011)	(308,271)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	-	6	10,022	10,028
PERA Pension Expense	-	-	7,487	7,487
RHC OPEB Expense	-	-	(4,733)	(4,733)
Changes in assets and liabilities				
Receivables	-	(1,000)	(221)	(1,221)
Due from other funds	(17)	-	-	(17)
Accounts payable	-	-	(499)	(499)
Accrued payroll	-	-	-	-
Accrued compensated absences	-	(898)	(1,859)	(2,757)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (168)</u>	<u>3,999</u>	<u>(303,814)</u>	<u>(299,983)</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2024

Bank Name	Account Type	Totals
First Savings Bank		
GENERAL	Demand Account Interest Bearing	\$ 4,148,601
LOCAL GOVERNMENT CORRECTIONS	Demand Account Non Interest Bearing	108,900
FIRE PROTECTION	Demand Account Interest Bearing	825,767
LAW ENFORCEMENT PROTECTION	Demand Account Non Interest Bearing	1,119
LODGER'S TAX	Demand Account Interest Bearing	919,544
MUNICIPAL STREET FUND	Demand Account Interest Bearing	1,383,845
Special Revenue Funds	Demand Account Interest Bearing	54,908
VETERANS WALL PERPETUAL CARE	Demand Account Non Interest Bearing	550
LIBRARY	Demand Account Non Interest Bearing	4,599
MUNICIPAL POOL	Demand Account Non Interest Bearing	52,109
PD GRT FUND	Demand Account Interest Bearing	242,061
PD DONATIONS	Demand Account Non Interest Bearing	12,587
W/WW Impact Fees	Demand Account Non Interest Bearing	3,501
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	2,705
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	5,410
Impact WW Karon Morgan	Demand Account Interest Bearing	300
Impact WW Cielo Vista LLC	Demand Account Interest Bearing	6,311
Impact WW White Sands Fed CU	Demand Account Interest Bearing	1,466
Impact WW-Cielo Vista LLC 2022	Demand Account Interest Bearing	10,209
IMPACT AGNS CONST	Demand Account Interest Bearing	1,201
IMPACT-AGNS CONST 528 WYONA	Demand Account Interest Bearing	1,201
IMPACT WW AGNS CONST 607 WYONA	Demand Account Interest Bearing	1,201
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	3,603
IMPACT WW 700 CHARLES AVE	Demand Account Interest Bearing	1,200
IMPACT WW 992 S. BROADWAY	Demand Account Interest Bearing	66,682
IMPACT WW-2350 VEATER	Demand Account Interest Bearing	1,200
IMPACT WW-512 GRAY ST	Demand Account Interest Bearing	1,200
IMPACT WW-1415 COLEMAN ST	Demand Account Interest Bearing	883
VETERANS WALL	Demand Account Non Interest Bearing	2,368
SENIOR GRANTS	Demand Account Non Interest Bearing	88,919
CAPITAL IMPROVEMENTS GENERAL	Demand Account Interest Bearing	85,494
CAPITAL IMPROVEMENT JT UTILITY	Demand Account Interest Bearing	52,334
R & R AIRPORT (FFA)	Demand Account Non Interest Bearing	5,325
CDBG	Demand Account Non Interest Bearing	22,188
CAPITAL IMPOV RESERVE	Demand Account Interest Bearing	2,898,467
EMERGENCY REPAIR RESERVE	Demand Account Interest Bearing	124,909
WASTE WATER RESERVE	Demand Account Interest Bearing	105,863
ELECTRICAL CONSTRUCTION RESERVE	Demand Account Interest Bearing	38,185

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2024

<u>Bank Name</u>	<u>Account Type</u>	<u>Totals</u>
PLEDGE STATE TAX	Demand Account Interest Bearing	179,785
CEMETARY FUND	Demand Account Interest Bearing	65,269
GOLF COURSE	Demand Account Interest Bearing	51,288
MUNICIPAL AIRPORT	Demand Account Interest Bearing	8,391
INTERNAL SERVICE	Demand Account Non Interest Bearing	39,434
PD BONDS	Demand Account Non Interest Bearing	1,000
Joint Utility (pooled cash)	Demand Account Non Interest Bearing	5,448,087
REVOLVING FUND	Demand Account Non Interest Bearing	855,333
CD HSLD	Time Account Interest Bearing	105,146
CD INVESTMENT PLEDGE	Time Account Interest Bearing	616,814
CD INVESTMENT ELEC CONST	Time Account Interest Bearing	89,549
CD INVESTMENT R&R SEWER	Time Account Interest Bearing	151,013
CD INVESTMENT R&R WATER	Time Account Interest Bearing	324,605
CD INVESTMENT EMERG REPAIR	Time Account Interest Bearing	42,476
CD INVESTMENT WASTE WATER REPAIR	Time Account Interest Bearing	106,358
Total for First Savings Bank		<u>19,377,918</u>
NMFA		
New Mexico Finance Authority	Cash/Investment	<u>1,755,279</u>
Total NMFA		<u>1,755,279</u>
NM LGIP Fund		
LGIP Fund		<u>1,618,288</u>
Total NM LGIP		<u>1,618,288</u>
Petty cash		1,210
Total on Deposit and Investments	Cash/Investment	<u>22,752,695</u>
Reconciling Items		<u>(389,279)</u>
Total Deposits and Investments		<u>22,363,416</u>
Less: Restricted Cash and Cash Equivalents per the Statement of Net Position		1,873,320
Less: Investments per the Statement of Net Position		<u>3,054,249</u>
Total Unrestricted Cash and Cash Equivalents per the Statement of Net Position		<u>\$ 17,435,847</u>

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2024

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2024	Location of Safekeeper
First Savings Bank					
	FNMA 20YR	6/1/2041	3140XBRJ1	1,863,365	Federal Reserve, Beresford SD
	FRLMC 20YR	8/1/2041	3132D9FR0	2,008,790	Federal Reserve, Beresford SD
	FNMA 20YR	10/1/2041	3140QMBJ2	1,461,327	Federal Reserve, Beresford SD
	FNMA 20YR	10/1/2041	3140XDP75	2,132,295	Federal Reserve, Beresford SD
	FNR 2022-12 EG	9/25/2046	3136BMBW7	1,821,650	Federal Reserve, Beresford SD
	GNR 2022-31 DA	4/20/2047	38383GT35	2,116,213	Federal Reserve, Beresford SD
	FNR 2022-25 AB	9/25/2047	3136BMUF3	2,265,955	Federal Reserve, Beresford SD
	GNR 2020-7 MJ	8/20/2049	38382DCD9	593,768	Federal Reserve, Beresford SD
	GNMA II 30YR	7/20/2050	3622AAUX0	1,111,536	Federal Reserve, Beresford SD
	FHR 5162 LN	9/25/2050	3137H46S4	1,458,343	Federal Reserve, Beresford SD
	GNR 2021-139 PA	8/20/2051	38382XHY4	942,476	Federal Reserve, Beresford SD
			Total	\$ 17,775,719	

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, 2024**

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	\$ 123,350
Fuel Farm Upgrades & Airfield Safety	N/A	20.106	412,071
Total Airport Improvement Program			<u>535,421</u>
Total Department of Transportation			<u>535,421</u>
Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities			
WWTP Improvements 2B	N/A	10.760	A 1,134,829
Total Water and Waste Disposal Systems for Rural Communities Grants			<u>1,134,829</u>
Total United States Department of Agriculture			<u>1,134,829</u>
Coronavirus State and Local Fiscal Recovery Funds			
Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	343,669
Total Coronavirus State and Local Fiscal Recovery Funds			<u>343,669</u>
Department of Agriculture			
Environmental Protection Agency			
Drinking Water State Revolving Loan Fund	N/A	66.458	A 1,077,993
Total Drinking Water State Revolving Loan Fund			<u>1,077,993</u>
Total Environmental Protection Agency			<u>1,077,993</u>
Total Federal Financial Assistance			\$ <u><u>3,091,912</u></u>

A Denotes Major Program

See Notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

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, 2024. 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 2024.

Loans

The City expended federal awards in the form of loans in the Water and Waste Disposal Systems for Rural Communities program totaling \$1,134,829 and the Drinking Water State Revolving Loan Fund totaling \$1,077,993 during the year ended June 30, 2024.

Indirect Cost Rate

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

Reconciliation of Federal Revenue to Federal Expenditures

Federal Revenue – Statement of Revenues, Expenditures and Changes in Fund Balance	\$	95,479
Fund Balance – American Rescue Plan Act		343,669
Grant Income – Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position		<u>2,652,764</u>
Federal revenue as reported in the financial statements	\$	<u><u>3,091,912</u></u>

* Remaining grant income on the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position consists of state grants the city received

**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., CFR
New Mexico State Auditor
City Commission
City of Truth or Consequences
Truth or Consequences, New Mexico

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, 2024, 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, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Housing Authority, as described in our report on City of Truth or Consequences financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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 City's financial statements will not be prevented or detected and corrected in a timely manner. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a significant deficiency.

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 2024-002 and CU2024-001.

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, LLP
Albuquerque, New Mexico
December 13, 2024



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., CFE
New Mexico State Auditor

The City Commission
City of Truth or Consequences
Truth or Consequences, New Mexico

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, 2024. 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, 2024.

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

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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 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, 2024

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	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
Drinking Water State Revolving Loan Fund	66.458
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, 2024

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2024-001 (2023-001) Cash Disbursements (Significant Deficiency) Repeated and Modified

CONDITION: During our internal control test work over cash disbursements, we noted the following:

- For 15 of 40 transactions tested totaling \$76,228, the purchase order was issued after the invoice date.
- For 1 of 40 transactions tested totaling \$18, a copy of the check was not provided to validate signatures.
- For 6 of 40 transactions tested totaling \$54,908, the invoice was not signed indicating the goods or services were received.
- For 3 of 40 transactions tested totaling \$11,932, general ledger posting was not consistent with the requested purchase per purchase order.
- For 1 of 4 transactions tested totaling \$78, payment was processed for a statement of invoices and individual invoices were not included to support payment.

The City has not made progress on this finding.

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 which were not budgeted or allowed. In addition, the City is at risk of paying for goods or services which have not actually been provided.

CAUSE: City personnel did not follow established procurement procedures for the City.

RECOMMENDATION: We recommend that the City develop policies and procedures to verify that purchase orders are issued and approved before an invoice is received. We recommend the city review all purchases prior to issuing payment to verify goods and/or services were 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, 2024**

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

None

STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

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

2024-002 Internal Controls Over Cash Receipts (Other Matters)

CONDITION: During our internal control test work over cash receipts, we noted the following:

- For 1 of 25 transactions tested totaling \$136, commercial electric services were charged at residential rates.

CRITERIA: Per NMSA 1978, §6-5-1 through §6-5-6, establish requirements for Local Public Bodies. The statutes require entities to implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

EFFECT: The City is not in compliance with state statutes.

CAUSE: The City failed to follow internal control procedures to verify customers are billed at the correct rates.

RECOMMENDATION: We recommend that the City implement procedures to ensure that customers are billed at the correct rates.

MANAGEMENT RESPONSE: The City will develop policies and procedures to ensure all billing rates entered into the system are accurate and reflect the cities current approved rates. Those policies and procedures will ensure that proper segregation of duty occurs or that there are compensating controls implemented.

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, 2024

SECTION V- Component Unit Findings

2024-001 Payroll Reporting compliance (Other Noncompliance)

CONDITION: The Authority's payroll reporting system was not adequately designed or complied with during the year ended June 30, 2024, as noted in the following:

- The NM Employment Security Department report of wages paid in the quarter ended December 31, 2023, was overstated by \$88,200. It was corrected after it was brought to the attention of the Finance Director.
- A federal tax deposit penalty of \$367 was incurred in the second quarter of 2024.
- A state withholding deposit for February of 2024 was not filed timely, incurring a penalty of \$41.

CRITERIA: Sound accounting practices require that timely and accurate reporting of payroll tax liabilities to the appropriate taxing authorities.

EFFECT: Penalties were incurred, and taxing authorities did not have complete and accurate information.

CAUSE: There was insufficient calendaring of payment schedules, and the reporting lacked review by appropriate accounting personnel.

RECOMMENDATION: We recommend that the Authority develop additional policies and procedures to calendar payroll tax reporting, and that the appropriate supervisory personnel review the submissions prior to finalizing the submissions.

AGENCY RESPONSE: The recommendation has been adopted, the Executive Director will be responsible for ensuring continued compliance.

TIMELINE OF CORRECTIVE ACTION PLAN: Currently in effect.

RESPONSIBLE OFFICIAL: Executive Director

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024**

SECTION VI – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Findings

2023-001 (Other Matter) – Cash Disbursement PO Issued after Invoice – Repeated and modified
2023-002 (Other Noncompliance) – Audit Report Submission - Resolved

Component Unit Findings

CU 2023-001 The audit report was not delivered to the NM State Auditor by required deadline. – Resolved

**STATE OF NEW MEXICO
CITY OF TRUTH OR CONSEQUENCES
EXIT CONFERENCE
Year Ended June 30, 2024**

The contents of this report were discussed in the exit conference held on December 13, 2024, with the following in attendance:

Representing the City of Truth or Consequences:

Rolf Hechler	Mayor
Angie Gallegos	City Manager
Traci Alvarez	Assistant City Manager
Jocelyn Holguin	Finance Director
Kerin Salcedo	Accounting Officer

Representing Pattillo, Brown & Hill:

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