

**STATE OF NEW MEXICO
CITY OF DEMING**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2009

**STATE OF NEW MEXICO
CITY OF DEMING
TABLE OF CONTENTS
JUNE 30, 2009**

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis.....	4-16
 <u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities.....	18
 Governmental Funds Financial Statements:	
Balance Sheet.....	19
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis: General Fund	23
 Proprietary Funds Financial Statements:	
<u>Proprietary Funds:</u>	
Statement of Net Assets	24-25
Statement of Revenues, Expenses, and Changes in Fund Net Assets	26-27
Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Net Assets of Proprietary Funds To the Statement of Activities	28
Statement of Cash Flows	29-30
 Fiduciary Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Fund	31
Notes to the Financial Statements	32-63

**STATE OF NEW MEXICO
CITY OF DEMING
TABLE OF CONTENTS
JUNE 30, 2009**

	<u>PAGE</u>
Combining and Individual Fund Financial Statements:	
<u>Non-Major Governmental Funds:</u>	
Combining Balance Sheet.....	64-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68-70
<u>Special Revenue Funds:</u>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Emergency Medical Services Fund.....	71
Fire Fund.....	72
Law Enforcement Protection Fund.....	73
Library Fund.....	74
Lodger's Tax Fund	75
Lodger's Tax Promotional Fund	76
Street Fund	77
Recreation Fund.....	78
Economic Development Fund	79
Special Events Center Fund	80
Community Center Fund	81
Boot Camp Fund.....	82
Traffic Safety Fund.....	83
Mimbres Valley Authority Fund	84
Regional Transportation Fund.....	85
Swimming Pool Fund	86
Library Trust Fund.....	87
Cemetery Trust Fund	88
Reconciliation of the Budgetary Comparison Statements to the Statements of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds	89-93
<u>Capital Projects Funds:</u>	
Statement of Revenues, Expenditures, and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
CDBG 2008/2009 Fund.....	94
Park Acquisition Fund	95
Landfill Fund.....	96
Co-Op Fund	97
Wastewater Plant Fund.....	98

**STATE OF NEW MEXICO
CITY OF DEMING
TABLE OF CONTENTS
JUNE 30, 2009**

	<u>PAGE</u>
Combining and Individual Fund Financial Statements (continued):	
<u>Capital Projects Funds (continued):</u>	
Reconciliation of the Budgetary Comparison Statements to the Statements of Revenues, Expenditures and Changes in Fund Balances Capital Project Funds	99-100
<u>Non-Major Proprietary Funds:</u>	
Statement of Net Assets	101
Statement of Revenues, Expenses and Changes in Fund Net Assets	102
Statement of Cash Flows.....	103
<u>Enterprise Funds:</u>	
Statement of Revenues, Expenditures, and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Gas Fund	104
Sewer Fund.....	105
Solid Waste Fund.....	106
Water Fund	107
Airport Fund	108
Cemetery Fund	109
Reconciliation of the Budgetary Comparison Statements to the Statement of Revenues, Expenses, and Changes in Net Assets	110-115
<u>Internal Service Funds:</u>	
Combining Statement of Net Assets	116
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	117
Combining Statement of Cash Flows	118
Statement of Revenues, Expenditures, and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Insurance Trust Revenue Fund.....	119
Insurance Trust Expense Fund	120

**STATE OF NEW MEXICO
CITY OF DEMING
TABLE OF CONTENTS
JUNE 30, 2009**

	<u>PAGE</u>
Combining and Individual Fund Financial Statements (continued):	
<u>Internal Service Funds (continued):</u>	
Reconciliation of the Budgetary Comparison Schedules to the Statement of Revenues, Expenses, and Changes in Net Assets	121
Supplemental Financial Information:	
Schedule of Changes in Assets and Liabilities for the Agency Funds	122
Schedule of Cash Accounts	123-124
Schedule of Pledged Collateral.....	125-126
Supplemental Federal Financial Information:	
Schedule of Expenditures of Federal Awards	127
Notes to Schedule of Expenditures of Federal Awards.....	128
Additional Independent Auditors' Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	129-130
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	131-132
Schedule of Findings and Questioned Costs	133-153
Exit Conference and Preparation of Financial Statements	154

**STATE OF NEW MEXICO
CITY OF DEMING
DIRECTORY OF OFFICIALS
JUNE 30, 2009**

ELECTED OFFICIALS

Andres Z. Silva Mayor
William C. Shattuck Mayor Pro-Tem
Linda Enis..... City Councilor
Joe F. Milo City Councilor
David Sanchez City Councilor

DEPARTMENT HEADS

Richard F. McInturff City Administrator/Treasurer/Clerk
Richard Kocab Assistant City Treasurer
Michael Carillo..... Chief of Police
Edgar Davalos..... Fire Chief
Gene R. Paulk..... Community Services Director
Louis Jenkins Director of Public Works
Frank M. VanGundy..... Municipal Judge

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Deming
Deming, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deming, New Mexico (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, Co-Op fund, major enterprise funds and all non-major funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the City of Deming for the year ended June 30, 2009, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2010, on our consideration of the City of Deming's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control or on financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages four through sixteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the funds budgetary comparison statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements and other opinion units listed above. The additional schedules listed as supplemental financial information and supplemental federal financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and other opinion units listed above. Such information have been subjected to the auditing procedures applied in the audit of the opinion basic financial statements and other units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and other opinion units listed above taken as a whole.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

June 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The following is an overview of the financial condition for the City of Deming, New Mexico (City), for the fiscal year ended June 30, 2009. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

- The City assets exceeded liabilities by \$76,399,719 at June 30, 2009. Approximately 20.68% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. As a result of operations, the City increased its net assets during the current year by \$6,947,625.
- Unrestricted cash and investments at June 30, 2009, totaled \$13,047,222. Current liabilities, including the current portion of long-term liabilities at June 30, 2009, amounted to \$1,853,463.
- During the fiscal year, the City governmental activities expended \$4,848,738 for capital assets. The business-type activities expended \$3,761,699 for capital assets.
- Investment in capital assets for the City total \$62,546,710 net of accumulated depreciation at June 30, 2009. These capital assets included land, construction in process, buildings, improvements, infrastructure, utility system, airport infrastructure and equipment.
- Long-term liabilities for the City at the end of the year was \$5,226,875. During the year, the City increased its long-term liabilities by \$132,030 when compared to the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Statements (continued)

The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and economic development. The business-type activities of the City include gas, sewer, solid waste, water, airport, and cemetery. The government-wide financial statements can be found on pages seventeen and eighteen of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental, proprietary, and fiduciary funds. Currently, the City has two fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison by governmental funds and governmental activities.

In addition to the general fund, the City maintains twenty-five other individual governmental funds of which eighteen are classified as special revenue funds and seven are classified as a capital projects funds. Information for the general fund and the co-op capital project fund, which are considered major funds, are presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its funds. The budgetary comparison statement for the general fund is located on page twenty-three. Budgetary comparison statements for the non-major special revenue, and major and non-major capital projects are located on pages seventy-one through one-hundred. The basic governmental fund financial statements can be found on page nineteen through twenty-two of this report.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Proprietary Funds

The City maintains two types of proprietary funds; enterprise and internal service funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund statements can be found on pages twenty-four through thirty of this report.

Enterprise Funds

The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its gas, sewer, solid waste, and water services provided to the citizens. Additionally, the City uses enterprise funds to account for an airport and a cemetery.

The enterprise fund financial statements provide separate information for the gas fund; sewer fund; solid waste fund; water fund, and airport fund are considered major funds of the City. Data from the non-major cemetery enterprise fund as they are combined into a single aggregated presentation. Individual fund data for the non-major enterprise fund is provided on pages one hundred one through one hundred three.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, or funds of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service funds are consolidated in the governmental column when presented in the government-wide financial statements. The City uses internal service funds to account for the City's group health insurance. As of the end of the fiscal year, the City no longer utilized the internal service funds for insurance revenues and expenses.

Data from the internal service funds are combined into a single aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements located on pages one hundred sixteen through one hundred eighteen.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic financial statements can be found on pages thirty-one and one hundred twenty-two of this report.

The City's two fiduciary funds account for monies collected and expended for various purposes. The local government corrections fund accounts for correction fee receipts and disbursements. The United Industries Fund accounts for assets provided by a private donor. The funds are held as a part of a settlement agreement with the City.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages thirty-two through sixty-three of this report.

Other Information

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining governmental fund statements can be found on pages sixty-four through seventy of this report.

Government-Wide Financial Analysis

The City has restated the governmental activities and business-type activities net assets and associated assets as of June 30, 2009. Note 12 provides detail as to the restatements. The condensed financial information for the fiscal year ended June 30, 2008, presented below, and has not been changed to reflect the restatement of net assets.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$76,399,719 at the close of the most recent fiscal year. Approximately seventy-six percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Assets:						
Current and other assets	\$ 10,464	\$ 9,536	\$ 9,887	\$ 9,829	\$ 20,351	\$ 19,365
Capital assets, net of accumulated depreciation	35,762	37,729	26,785	25,894	62,547	63,623
Total assets	46,226	47,265	36,672	35,723	82,898	82,988
Liabilities:						
Current liabilities	863	823	408	739	1,271	1,562
Long-term liabilities	421	370	4,806	4,733	5,227	5,103
Total liabilities	1,284	1,193	5,214	5,472	6,498	6,665

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis (continued)

	Condensed Statement of Net Assets (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Net Assets:						
Invested in capital assets, net of related debt	35,646	37,587	22,584	21,699	58,230	59,286
Restricted:						
Capital projects	-	1,038	-	3,790	-	4,828
Debt service	19	21	2,351	401	2,370	422
Other purposes	-	1,361	-	-	-	1,361
Unrestricted	9,277	6,065	6,523	4,361	15,800	10,426
Total net assets	\$ 44,942	\$ 46,072	\$ 31,458	\$ 30,251	\$ 76,400	\$ 76,323

The City has net assets of \$2,369,967 restricted for debt service at June 30, 2009. The remaining balance of unrestricted net assets at June 30, 2009 is \$15,799,722 and that amount may be used to meet the government's ongoing obligations to citizens and creditors. The City increased its net assets from operations by \$6,947,625 during the current fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the three categories of net assets.

At June 30, 2008, unrestricted cash and investments totaled \$12,170,505. At the end of the current year, unrestricted cash and investments totaled \$13,047,222; an increase of \$876,717. There were many funds that reflected increases and decreases in cash and investments. The general fund cash increased by \$948,870, and the non-major funds cash and investments increased by \$1,873,454. Unrestricted cash increase \$645,142 in the governmental activities with an increase of \$351,309 in the business-type activities due to capital projects beginning the previous fiscal year and the city incurred expenses ahead of reimbursement. This fiscal year the funding from grant reimbursements have been received. The City also took a conservative budget approach due to the decline in the economy.

At June 30, 2008, receivables for the City equaled \$2,084,483. At June 30, 2009, the receivables totaled \$3,953,733. The net increase in the receivables was \$1,869,250. The intergovernmental increase is due to state and federal grant awards submitted before year end and received after June 30, 2009. The accounts receivable increased drastically due to computer issues the previous fiscal year. This also includes funds from the state economic development with a Local Economic Development Act (LEDA) of \$500,000 which is a note receivable. Also included in the increase are taxes receivable for gross receipts distribution, motor vehicle division, property taxes from Luna County, and franchise taxes from the private sector.

Government-wide current liabilities that consist of accounts payable, accrued salaries, accrued liabilities, accrued interest payable, deferred revenues, and deposits payable at June 30, 2009, equaled \$1,270,823. At June 30, 2008, the City reported an amount equal to \$1,561,542. The current liabilities decreased by \$290,719. An increase in accounts payable of \$179,119 was negated by a decrease in deposits of \$171,108. The decrease in deferred revenues of \$235,206 was the most significant change in current liabilities.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis (continued)

At June 30, 2008, the long-term debt, including the current portion equaled \$5,103,015. The liabilities were increased by \$123,860 during the current fiscal year to \$5,226,875.

The government-wide net assets at June 30, 2008, totaled \$76,323,828. Those net assets were increased by \$75,891 after the result of operations and various restatements. The governmental net assets were restated and decreased by \$1,130,942, while the business-type assets were restated and increased by \$1,206,833.

A condensed comparative statement of activities is as follows:

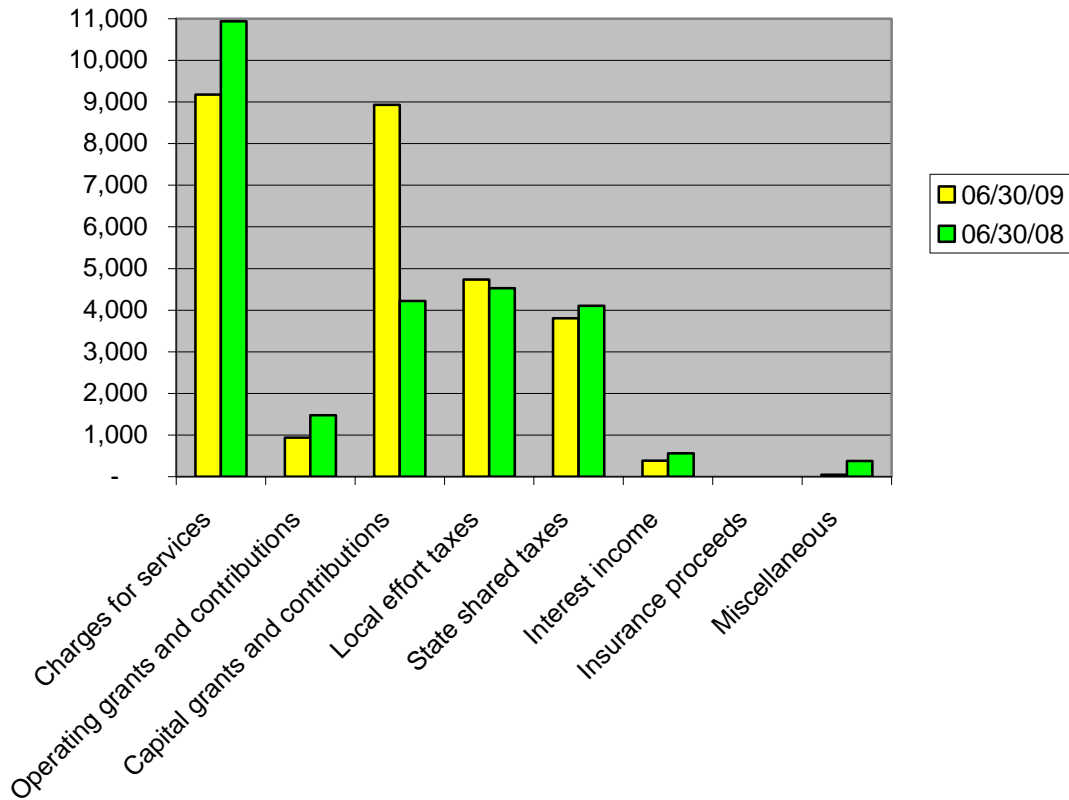
	Condensed Statement of Activities (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Revenues:						
Program revenues:						
Charges for services	\$ 1,448	\$ 794	\$ 7,733	\$ 9,843	\$ 9,181	\$ 10,637
Operating grants and contributions	801	1,323	133	153	934	1,476
Capital grants and contributions	5,407	2,418	3,525	1,805	8,932	4,223
General revenues:						
Local effort taxes	4,738	4,529	-	-	4,738	4,529
State shared taxes	3,805	4,103	-	-	3,805	4,103
Licenses and permits	-	70	-	-	-	70
Fines and forfeitures	-	235	-	-	-	235
Miscellaneous	-	377	46	-	46	377
Investment income	231	396	151	166	382	562
Insurance proceeds	-	-	2	-	2	-
Gain (loss) on disposal of assets	(8)	(39)	-	7	(8)	(32)
Total revenues	<u>16,422</u>	<u>14,206</u>	<u>11,590</u>	<u>11,974</u>	<u>28,012</u>	<u>26,180</u>
Expenses:						
General government	2,304	1,640	-	-	2,304	1,640
Public safety	5,458	5,439	-	-	5,458	5,439
Public works	2,308	2,965	-	-	2,308	2,965
Culture and recreation	2,316	1,932	-	-	2,316	1,932
Health and welfare	697	510	-	-	697	510
Economic development	16	-	-	-	16	-
Gas	-	-	3,591	4,778	3,591	4,778
Sewer	-	-	1,099	979	1,099	979
Solid waste	-	-	1,352	1,344	1,352	1,344
Water	-	-	1,553	1,706	1,553	1,706
Insurance trust funds	-	-	-	1,556	-	1,556
Airport	-	-	191	273	191	273
Cemetery	-	-	28	42	28	42
Interest on long-term debt	4	5	148	-	152	5
Total expenses	<u>13,103</u>	<u>12,491</u>	<u>7,962</u>	<u>10,678</u>	<u>21,065</u>	<u>23,169</u>

**STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Government-Wide Financial Analysis (continued)

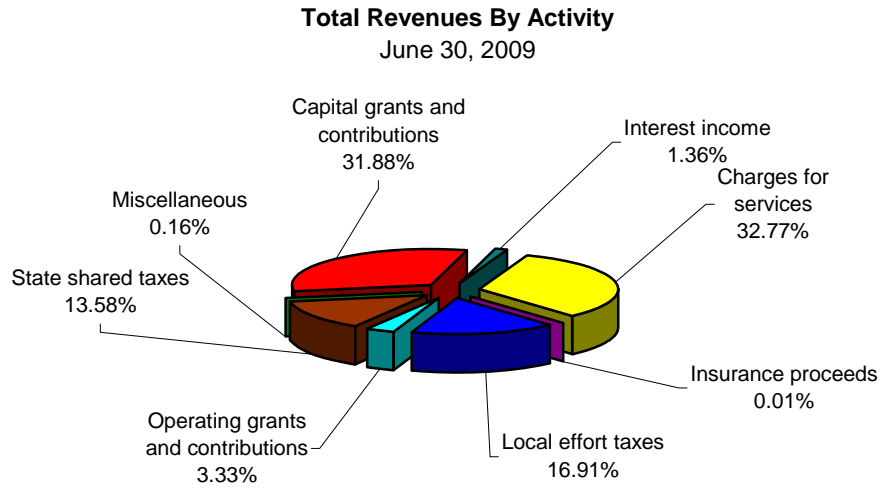
	Condensed Statement of Activities (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Transfers, net	444	(350)	(444)	350	-	-
Increase in net assets	<u>\$ 3,763</u>	<u>\$ 1,365</u>	<u>\$ 3,184</u>	<u>\$ 1,646</u>	<u>\$ 6,947</u>	<u>\$ 3,011</u>

**Comparison of Revenues - By Function
All Activities
(In Thousands)**

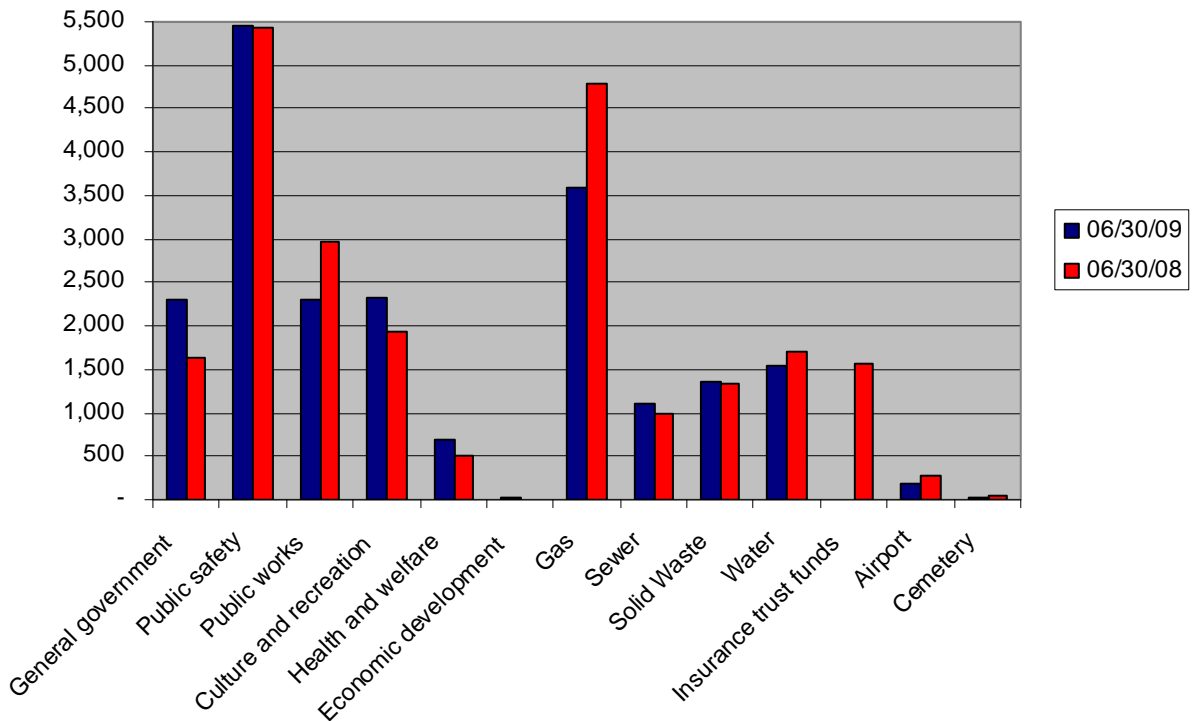


**STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Government-Wide Financial Analysis (continued)



Comparison of Expenses - By Function
All Activities
(In Thousands)



STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Government-Wide Financial Analysis (continued)

The statement of activities from 2009 shows revenue increases in governmental activities and revenue decreases in business-type activities when compared to the 2008 fiscal year. Specifically, governmental activities program and general revenues increased by \$2,565,841, and business-type activities program and general revenues decreased by \$734,244. The largest increase in the governmental activities occurred within capital grants and contributions of \$2,988,963, an increase of approximately fifty-five percent. The next largest in the governmental activities occurred within charges for services of \$653,643, an increase of approximately forty-five percent. There were numerous other increases and decreases that resulted in the net increase in governmental activity revenues of thirteen percent. Although capital grants and contributions for the business-type activities exhibited a forty-nine percent increase of \$1,720,218; operating grants and contributions, capital grants and contributions, and general revenues all decreased for an overall .6% decrease.

In the current year, governmental activities expenses totaled \$13,102,850. The previous year, governmental activities expenses were equal to \$12,491,450. The increase in current year expenses amounted to \$611,400.

The largest increase in governmental activities expenses occurred within general government. The increase in the current year of \$664,161 can be mostly attributed to an increase in personnel costs, a refund to Luna Energy on property tax, and a grant to the Deming Literacy Center.

For 2009, the City reflected an increase in governmental activities net assets of \$3,763,443 due to current year's operations. In the prior year, the increase was \$1,364,935. The business-type activity also reflects an increase in net assets of \$3,184,182 due to operations for the current fiscal year. In the previous year, the increase amounted to \$1,645,977.

For the previous year, the business-type activities reported expenses at \$10,678,461. For the current year, the City reports expenses as \$7,961,945, a decrease of \$2,716,516 of which fifty seven percent or \$1,556,290 is activity associated with the insurance trust fund which was eliminated during fiscal year 2009. Another significant decrease in expenses was \$1,186,836 in the gas department. The cost of natural gas in fiscal 2009 was significantly less than that experienced in fiscal 2008.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$9,536,003. Approximately eighty-five percent of this total or \$8,123,738 constitutes undesignated, unreserved fund balances, which are available for spending at the City's discretion.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Financial Analysis of the City's Funds (continued)

Governmental Funds (continued)

The remainder of fund balance, \$1,412,265 is reserved for subsequent year's spending \$1,392,834 and debt service \$19,431. It is not available for new spending because it has already been committed to next year's budget, and for various reserves. The general fund balance of \$6,030,464 represents sixty-three percent of the total governmental fund balances. During the current fiscal year, the City's General Fund decreased by \$658,321, while the non-major and co-op funds increased their fund balances by \$883,876.

Governmental fund revenues totaled \$16,444,061 for the fiscal year, while expenditures were \$16,348,569. Revenues exceeded expenditures by \$95,492 prior to transfers in and out of the general fund. During the year, the general fund received \$609,187 from other City funds while it transferred out \$1,729,319. The net transfer in of \$130,063 increased the excess revenues over expenditures resulting in a combined increase in fund balances of \$225,555. It should be noted that the fund balances amount of \$9,070,611 for fiscal year ended June 30, 2008 were restated to \$9,310,448. That amount and the net income for the year, results in a fund balance of \$9,536,003 for the governmental funds.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

Total net assets in the proprietary funds increased \$3,464,761. The large increase in net assets of the water fund of \$2,638,175 can be attributed to large construction projects involving water storage facilities and system distribution extensions. The City received \$2,167,327 of intergovernmental revenue of which the majority was expended on capital items. The increase in the sewer and gas funds can be attributed to line extensions that were capitalized.

Total revenues (both operating and non-operating) for 2008 were \$10,752,042 compared to 2009 revenues of \$11,590,161. Operating expenses for 2008 and 2009 were \$9,117,483 and \$7,814,047 respectively. Income before transfers 2008 was \$1,619,584 including grant funding of \$1,957,532. Income before transfers in 2009 was \$3,709,285 including grant funding of \$3,657,765. Grant funding is the major contributor in financing capital projects.

In 2008 the net transfer was an increase of \$100,000. In 2009 the net transfer was a decrease of \$163,455.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at \$10,050,918. The actual revenues for the fiscal year were \$9,669,426, and resulted in an unfavorable variance of \$381,492.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

General Fund Budgetary Highlights (continued)

Local effort taxes and shared taxes were over budget by \$310,182 and under budget \$206,220, respectively. Charges for services were over the budgeted amount by \$77,273 as were fines and forfeitures by \$14,384. These positive variances were primarily due to the conservative preparation of budget revenue estimates. However, intergovernmental was under budget \$197,355 due to not receiving a grant anticipated; licenses and permits was under budget \$21,791 due to computer issues, and interest was under budget \$53,494 due to a weakening economy.

For the year ended June 30, 2009, the City anticipated that expenditures would exceed revenues and budgeted net transfers out of \$4,297,881. Actual expenditures of \$8,959,600 and net transfers out of only \$1,120,132 exceeded revenues of \$9,669,426, producing a deficiency of \$410,306.

General government expenditures showed to be under budget by \$182,722. The largest portion of that was an under budget \$1,003,750 in public safety. Capital outlay expenditures showed to be under budget by \$561,921. Revenues anticipated in the budget process and not realized were the root cause of the above two variances as the City did not expend authorized appropriations. Positive variances in the other expenditure categories can be attributed to positions that went unfilled for a portion of the year; and partially from being intentionally under budget in operating expenses because of a weakening economy and the uncertainty of revenue streams.

During the fiscal year, the City made one adjustment to the budget.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the City originally reported capital assets as \$63,623,280; \$37,729,644 as governmental activities capital assets and \$25,893,636 as business-type capital assets. The City has restated the governmental activities capital assets by decreasing the net book value of the assets by \$5,094,108 and the business-type net book value of the assets by \$1,947,931 due to errors that were discovered subsequent to the issuance of the prior year's financial statements. The amounts detailed in the next page for the 2008 governmental and business-type assets do not reflect the restatement of \$7,042,039.

The City's investment in capital assets for the government as of June 30, 2009, amounts to \$62,546,710 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, and machinery and equipment.

Major capital assets events during the current fiscal year included the following:

- Governmental Activities – During the fiscal year, the City expended \$4,848,738 for capital assets. Eighty-seven percent of the expenditures were for construction in progress.
- Business-Type Activities – During the fiscal year, the City expended \$3,628,815 for capital assets. Eighty-nine percent of the expenditures were for construction in progress.

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Capital Assets - Net of Accumulated Depreciation (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Land	\$ 6,236	\$ 6,230	\$ 5,993	\$ 5,847	\$ 12,229	\$ 12,077
Construction in progress	5,539	1,329	6,137	2,778	11,676	4,107
Buildings	2,379	7,631	818	1,071	3,197	8,702
Infrastructure	19,992	20,853	759	1,794	20,751	22,647
Utility system	-	-	12,114	13,393	12,114	13,393
Equipment	1,615	1,686	964	1,011	2,579	2,697
Total capital assets	<u>\$ 35,761</u>	<u>\$ 37,729</u>	<u>\$ 26,785</u>	<u>\$ 25,894</u>	<u>\$ 62,546</u>	<u>\$ 63,623</u>

Additional information on the City's assets can be found in note eight on pages fifty through fifty-two of this report.

Long-Term Debt

At the end of the fiscal year ended June 30, 2008, the City had total debt outstanding of \$5,103,015 which consisted of notes, leases, compensated absences, and post-closure liability. During the current year, the City discovered errors in the compensated absences liability, as previously reported. Within the governmental activities, compensated absences were restated by increasing the previous year's total by \$40,114. Within the business-type activities, compensated absences were restated by decreasing the previous year's total by \$40,835. The amounts for 2008 reflected below do not reflect the restatements of compensated absences.

At the end of the current year, the City had total debt outstanding of \$5,226,875, which consists of notes, leases, compensated absences, and landfill post-closure liability.

The state of New Mexico Constitution provides for a legal limit of four percent (4.0%) of taxable valuation for general obligation bonds. The City's taxable value of property in 2008 was \$184,778,043. The City may currently issue up to \$7,391,122 in general obligation bonds. At the present time, the City does not have any general obligation bonds.

Long-Term Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	06/30/09	06/30/08	06/30/09	06/30/08	06/30/09	06/30/08
Notes payable	\$ 116	\$ 142	\$ 4,036	\$ 4,194	\$ 4,152	\$ 4,336
Leases payable	-	-	164	-	164	-
Landfill post closure	-	-	468	388	468	388
Compensated absences	305	350	138	163	443	513
Total long-term debt	<u>\$ 421</u>	<u>\$ 492</u>	<u>\$ 4,806</u>	<u>\$ 4,745</u>	<u>\$ 5,227</u>	<u>\$ 5,237</u>

STATE OF NEW MEXICO
CITY OF DEMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

Additional information on the City's long-term debt can be found in note nine on pages fifty-three through fifty-six of this report.

Currently Known Facts, Decisions, or Conditions

The gross receipts taxes were down approximately 5% from fiscal year 2009 when compared to 2008. The City had planned for a decrease in revenue. Due to economic conditions forecasted for fiscal year 2010, budgeted GRT revenues were reduced by 10%. The City Council has taken action with hiring and payroll freezes to control the loss in revenues. The majority of payroll is paid from the general fund, which is its largest portion of the expenses.

The capital projects on Solana Road and the water storage tank ultimately will enhance the proprietary funds with additional revenues. The U.S. Army Corp of Engineers provided ARRA monies (Stimulus) and this provided the City the opportunity to repay the NMFA loan early. It will be paid after the FY 2008-2009 and reduce our outstanding debt position. The Water Storage Tank Project, which was a \$3,000,000 project, was completed in June 2009 and is part of our long-term debt that will be paid with revenues created by the current water rate structure and future planned water rate evaluations. The Solid Waste fund continues construction of the new landfill which is funded by state grant funds as well as Luna County and the City. The increase in future revenues will offset the added expense for transportation and additional fuel costs at the new landfill. The new equipment and buildings purchased at the new landfill will almost reduce the expenses for replacement costs going forward. Reserves will be created for the long-term replacement and additions of equipment as needed.

Also in 2008-2009 the engineering of the Spruce Street Project had begun by which the nearly 80 year old surface, curbs and gutters would be replaced and made ADA compliant. The amount of this project was originally estimated at \$4,000,000. The project went to bid just after the end of the FY 2008-2009. The Florida Drainage Project was also in the engineering phase during this same period. Engineering had been completed for the Morgan Hall CDBG Project and was out to bid shortly after the current fiscal year end. The cost was estimated at \$750,000. Another project that was in the planning stages before the end of FY 2008-2009, included a multi-purpose 'Sports Complex' in the Deming Industrial Park. Two state grants totaling \$500,000 for the complex had been awarded.

Request for Information

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Administrator/Treasurer, P.O. Box 1569, Deming, New Mexico 88030.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 6,786,371	\$ 5,408,611	\$ 12,194,982
Investments	596,986	255,254	852,240
Receivables, net of allowance for doubtful accounts:			
Accounts	318,905	706,814	1,025,719
Taxes	1,349,007	-	1,349,007
Intergovernmental	792,699	250,248	1,042,947
Interest	19,543	10,072	29,615
Note	500,000	-	500,000
Miscellaneous	6,445	-	6,445
Inventory	74,879	521,434	596,313
Restricted:			
Cash	-	383,472	383,472
Investments	19,431	2,350,536	2,369,967
Capital assets:			
Land and construction in progress	11,776,090	12,129,745	23,905,835
Other capital assets, net of depreciation	23,985,400	14,655,475	38,640,875
Total capital assets	<u>35,761,490</u>	<u>26,785,220</u>	<u>62,546,710</u>
Total assets	<u>46,225,756</u>	<u>36,671,661</u>	<u>82,897,417</u>
LIABILITIES			
Accounts payable	671,501	112,805	784,306
Accrued salaries	175,656	85,067	260,723
Accrued interest payable	329	13,063	13,392
Deferred revenues	8,570	-	8,570
Deposits payable	6,998	196,834	203,832
Long-term liabilities:			
Due within one year	240,497	342,143	582,640
Due in more than one year	180,589	4,463,646	4,644,235
Total liabilities	<u>1,284,140</u>	<u>5,213,558</u>	<u>6,497,698</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,645,554	22,584,476	58,230,030
Restricted:			
Debt service	19,431	2,350,536	2,369,967
Unrestricted	9,276,631	6,523,091	15,799,722
Total net assets	<u>\$ 44,941,616</u>	<u>\$ 31,458,103</u>	<u>\$ 76,399,719</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 2,303,966	\$ 625,181	\$ -	\$ -	\$ (1,678,785)		\$ (1,678,785)
Public safety	5,457,496	660,506	193,394	62,383	(4,541,213)		(4,541,213)
Public works	2,308,057	11,619	1,125	2,791,942	496,629		496,629
Culture and recreation	2,315,764	150,370	181,825	453,183	(1,530,386)		(1,530,386)
Health and welfare	696,839	-	424,456	1,599,210	1,326,827		1,326,827
Economic development	15,979	-	-	500,000	484,021		484,021
Interest on long-term debt	4,749	-	-	-	(4,749)		(4,749)
Total governmental activities	13,102,850	1,447,676	800,800	5,406,718	(5,447,656)		(5,447,656)
Business-type activities:							
Gas	3,591,186	4,105,098	7,954	-	\$ 521,866		521,866
Sewer	1,098,634	774,338	-	928,934	604,638		604,638
Solid waste	1,351,418	963,716	125,000	-	(262,702)		(262,702)
Water	1,553,344	1,797,298	-	2,167,327	2,411,281		2,411,281
Airport	191,598	61,614	-	428,550	298,566		298,566
Cemetery	27,867	30,914	-	-	3,047		3,047
Interest on long-term debt	147,898	-	-	-	(147,898)		(147,898)
Total business-type activities	7,961,945	7,732,978	132,954	3,524,811	-	3,428,798	3,428,798
Total primary government	\$ 21,064,795	\$ 9,180,654	\$ 933,754	\$ 8,931,529	(5,447,656)	3,428,798	3,428,798
General Revenues:							
Gross receipts taxes					6,546,105	-	6,546,105
Property taxes, levied for general purposes					606,619	-	606,619
Lodger's taxes					396,368	-	396,368
Franchise taxes					285,228	-	285,228
Gasoline and motor vehicle taxes					679,234	-	679,234
Cigarette taxes					29,951	-	29,951
Interest income					231,532	150,614	382,146
Miscellaneous					-	45,680	45,680
Insurance proceeds					-	2,806	2,806
Gain (loss) on disposal of assets					(8,005)	351	(7,654)
Total general revenues					8,767,032	199,451	8,966,483
Transfers, net					444,067	(444,067)	-
Change in net assets					3,763,443	3,184,182	6,947,625
Net assets, beginning of year					46,072,558	30,251,270	76,323,828
Restatements					(4,894,385)	(1,977,349)	(6,871,734)
Net assets, beginning of year restated					41,178,173	28,273,921	69,452,094
Net assets, end of year					\$ 44,941,616	\$ 31,458,103	\$ 76,399,719

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF DEMING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Co-Op Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,289,362	\$ 16,142	\$ 2,480,867	\$ 6,786,371
Investments	491,162	-	105,824	596,986
Receivables, net of allowance for doubtful accounts:				
Accounts	318,905	-	-	318,905
Taxes	1,251,960	-	97,047	1,349,007
Intergovernmental	19,703	254,813	518,183	792,699
Interest	16,329	-	3,214	19,543
Note	-	-	500,000	500,000
Miscellaneous	6,445	-	-	6,445
Restricted:				
Investments	-	-	19,431	19,431
Inventory	74,879	-	-	74,879
Due from other funds	993	-	-	993
Total assets	\$ 6,469,738	\$ 270,955	\$ 3,724,566	\$ 10,465,259
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 224,003	\$ -	\$ 447,498	\$ 671,501
Accrued salaries	142,735	-	32,921	175,656
Deferred revenues	65,538	-	8,570	74,108
Due to others	6,998	-	-	6,998
Due to other funds	-	-	993	993
Total liabilities	439,274	-	489,982	929,256
Fund Balances:				
Reserved:				
Debt service reported in nonmajor:				
Special revenue funds	-	-	19,431	19,431
Subsequent year's expenditures reported in nonmajor:				
Special revenue funds	-	-	419,625	419,625
Capital project funds	-	-	973,209	973,209
Unreserved	6,030,464	270,955	-	6,301,419
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	1,614,319	1,614,319
Capital projects funds	-	-	208,000	208,000
Total fund balances	6,030,464	270,955	3,234,584	9,536,003
Total liabilities and fund balances	\$ 6,469,738	\$ 270,955	\$ 3,724,566	\$ 10,465,259

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

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

Total fund balance governmental funds (page nineteen)	\$	9,536,003
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		35,761,490
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		65,538
Certain accrued interest expense is not due and payable in the current period and therefore is not reported in the governmental funds.		(329)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(421,086)</u>
Net assets of governmental activities (page seventeen)	\$	<u><u>44,941,616</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Co-Op Fund	Non-Major Funds	Total Governmental Funds
Revenues:				
Local effort taxes	\$ 4,295,629	\$ -	\$ 396,368	\$ 4,691,997
State shared taxes	3,346,770	-	458,517	3,805,287
Intergovernmental	458,862	2,571,154	3,001,942	6,031,958
Charges for services	870,562	-	190,924	1,061,486
Licenses and permits	46,734	-	-	46,734
Fines and forfeitures	212,953	-	13,583	226,536
Interest	189,500	2,375	39,657	231,532
Miscellaneous	134,837	-	213,694	348,531
Total revenues	9,555,847	2,573,529	4,314,685	16,444,061
Expenditures:				
Current:				
General government	2,129,432	-	110,611	2,240,043
Public safety	5,136,616	-	81,749	5,218,365
Public works	704,030	61,147	572,649	1,337,826
Culture and recreation	575,846	-	1,489,850	2,065,696
Health and welfare	221,616	-	372,182	593,798
Economic development	-	-	12,934	12,934
Capital outlay	326,496	2,833,222	1,689,020	4,848,738
Debt service:				
Principal	-	-	26,749	26,749
Interest	-	-	4,420	4,420
Total expenditures	9,094,036	2,894,369	4,360,164	16,348,569
Excess (deficiency) of revenues over expenditures	461,811	(320,840)	(45,479)	95,492
Other Financing Sources (Uses):				
Transfers in	609,187	580,000	1,425,713	2,614,900
Transfers (out)	(1,729,319)	-	(755,518)	(2,484,837)
Total other financing sources (uses)	(1,120,132)	580,000	670,195	130,063
Net change in fund balances	(658,321)	259,160	624,716	225,555
Fund balance, beginning of year	6,449,000	11,795	2,609,816	9,070,611
Restatements	239,785	-	52	239,837
Fund balance, beginning of year restated	6,688,785	11,795	2,609,868	9,310,448
Fund balance, end of year	<u>\$ 6,030,464</u>	<u>\$ 270,955</u>	<u>\$ 3,234,584</u>	<u>\$ 9,536,003</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

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

Net change in fund balances total governmental funds (page twenty-one)	\$ 225,555
Governmental funds report capital outlay as expenditures in the amount of \$4,848,738, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$1,654,728. The net adjustment is \$3,194,010.	3,194,010
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(68,056)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current periods expenditures, and therefore, are reported as deferred revenue in the funds.	46,221
Accrued interest expense not due within thirty days after year end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year reduces the interest expense within the statement of activities.	(329)
The repayment of principal of long-term consumes the current financial resources of governmental funds, however, is not recorded as an expense within the statement of activities.	26,749
Decrease in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use a current financial resource and is not recorded in the governmental funds statement.	84,631
In the prior years, the City reflected a liability within the governmental activities owed to the business-type activities for the internal service funds net residual look back income and loss. During the current year, the City discontinued the use of internal service funds. The City has transferred funds from the business-type activities to the governmental activities in effect reducing the liability reflected from the net residual look back income and loss.	<u>254,662</u>
Net change in governmental activities net assets - government-wide financial statements (page eighteen)	<u>\$ 3,763,443</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 4,011,561	\$ 4,011,561	\$ 4,321,743	\$ 310,182
State shared taxes	3,573,000	3,573,000	3,366,780	(206,220)
Intergovernmental	1,121,077	1,121,077	923,722	(197,355)
Charges for services	429,700	429,700	506,973	77,273
Licenses and permits	68,525	68,525	46,734	(21,791)
Fines and forfeitures	202,400	202,400	216,784	14,384
Interest	180,000	180,000	126,506	(53,494)
Miscellaneous	464,655	464,655	160,184	(304,471)
Total revenues	10,050,918	10,050,918	9,669,426	(381,492)
Expenditures:				
Current:				
General government	2,112,446	2,168,746	1,986,024	182,722
Public safety	6,149,186	6,113,186	5,109,436	1,003,750
Public works	955,613	955,613	702,592	253,021
Culture and recreation	625,558	625,558	556,972	68,586
Health and welfare	247,858	247,858	232,797	15,061
Capital outlay	954,000	933,700	371,779	561,921
Total expenditures	11,044,661	11,044,661	8,959,600	2,085,061
Excess (deficiency) of revenues over expenditures	(993,743)	(993,743)	709,826	1,703,569
Other Financing Sources (Uses):				
Transfers in	88,939	88,939	609,187	520,248
Transfers (out)	(3,359,192)	(3,393,077)	(1,729,319)	1,663,758
Total other financing sources (uses)	(3,270,253)	(3,304,138)	(1,120,132)	2,184,006
Net change in cash balance	(4,263,996)	(4,297,881)	(410,306)	3,887,575
Cash balance, beginning of year	146,780	146,780	146,780	-
Reclassifications	4,552,888	4,552,888	4,552,888	-
Cash balance, end of year	\$ 435,672	\$ 401,787	\$ 4,289,362	\$ 3,887,575

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Enterprise Funds				
	Gas Fund	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund
Assets:					
Current assets:					
Cash	\$ 2,284,496	\$ 1,137,437	\$ 513,272	\$ 1,285,350	\$ 69,861
Investments	232,061	7,165	3,146	5,459	848
Receivables (net of allowance):					
Accounts	205,651	78,436	151,410	259,712	-
Intergovernmental	-	39,793	-	210,455	-
Interest	8,594	739	-	739	-
Inventory	136,597	34,365	-	350,472	-
Non-Current assets:					
Restricted assets:					
Cash	330,327	-	-	53,145	-
Investments	-	1,407,302	-	943,234	-
Capital assets:					
Land	4,500	330,247	55,340	3,680,333	1,742,227
Construction in progress	59,099	520,369	-	3,711,868	1,845,762
Buildings	58,358	1,069,519	859,292	231,756	2,987,499
Utility system and facilities	5,504,313	9,887,676	-	5,550,570	-
Airport infrastructure	-	-	-	-	879,856
Equipment	810,701	427,649	1,504,295	1,321,120	70,976
Less accumulated depreciation	<u>(3,124,120)</u>	<u>(5,356,144)</u>	<u>(1,816,242)</u>	<u>(3,243,200)</u>	<u>(2,971,668)</u>
Total capital assets, net	<u>3,312,851</u>	<u>6,879,316</u>	<u>602,685</u>	<u>11,252,447</u>	<u>4,554,652</u>
Total assets	6,510,577	9,584,553	1,270,513	14,361,013	4,625,361
Liabilities:					
Current liabilities:					
Accounts payable	21,479	14,698	15,140	55,828	4,934
Accrued salaries	28,239	14,270	18,650	21,660	2,248
Accrued interest payable	-	6,928	-	6,135	-
Customer deposits	143,689	-	-	53,145	-
Current maturities of:					
Notes payable	-	80,018	-	83,086	-
Leases payable	-	51,975	-	48,184	-
Compensated absences	<u>28,160</u>	<u>13,387</u>	<u>21,806</u>	<u>7,727</u>	<u>7,800</u>
Total current liabilities	221,567	181,276	55,596	275,765	14,982
Non-Current liabilities:					
Notes payable	-	1,832,883	-	2,040,280	-
Leases payable	-	35,139	-	29,179	-
Compensated absences	20,671	1,069	13,705	21,292	1,895
Landfill closure and post-closure	<u>-</u>	<u>-</u>	<u>467,533</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>20,671</u>	<u>1,869,091</u>	<u>481,238</u>	<u>2,090,751</u>	<u>1,895</u>
Total liabilities	242,238	2,050,367	536,834	2,366,516	16,877
Net assets:					
Invested in capital assets, net of related debt	3,312,851	4,879,301	602,685	9,051,718	4,554,652
Restricted:					
Debt service	-	1,407,302	-	943,234	-
Unrestricted	<u>2,955,488</u>	<u>1,247,583</u>	<u>130,994</u>	<u>1,999,545</u>	<u>53,832</u>
Total net assets	<u>\$ 6,268,339</u>	<u>\$ 7,534,186</u>	<u>\$ 733,679</u>	<u>\$ 11,994,497</u>	<u>\$ 4,608,484</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities		Internal Service Funds
	Enterprise Funds		
	Non-Major Fund	Total	
Assets:			
Current assets:			
Cash	\$ 118,195	\$ 5,408,611	\$ -
Investments	6,575	255,254	
Receivables (net of allowance):			
Accounts	11,605	706,814	-
Intergovernmental	-	250,248	-
Interest	-	10,072	-
Inventory	-	521,434	
Noncurrent assets:			
Restricted assets:			
Cash	-	383,472	-
Investments	-	2,350,536	
Capital assets:			
Land	180,000	5,992,647	-
Construction in progress	-	6,137,098	-
Buildings	43,860	5,250,284	-
Utility system and facilities	-	20,942,559	-
Airport infrastructure	-	879,856	-
Equipment	109,491	4,244,232	-
Less accumulated depreciation	(150,082)	(16,661,456)	
Total capital assets, net	<u>183,269</u>	<u>26,785,220</u>	<u>-</u>
Total assets	319,644	36,671,661	-
Liabilities:			
Current liabilities:			
Accounts payable	726	112,805	-
Accrued salaries	-	85,067	-
Accrued interest payable	-	13,063	-
Customer deposits	-	196,834	-
Current maturities of:			
Notes payable	-	163,104	-
Leases payable	-	100,159	-
Compensated absences	-	78,880	-
Total current liabilities	<u>726</u>	<u>749,912</u>	<u>-</u>
Non-Current liabilities:			
Notes payable	-	3,873,163	-
Leases payable	-	64,318	-
Compensated absences	-	58,632	-
Landfill closure and post-closure	-	467,533	-
Total non-current liabilities	<u>-</u>	<u>4,463,646</u>	<u>-</u>
Total liabilities	726	5,213,558	-
Net assets:			
Invested in capital assets, net of related debt	183,269	22,584,476	-
Restricted:			
Debt service	-	2,350,536	-
Unrestricted	<u>135,649</u>	<u>6,523,091</u>	<u>-</u>
Total net assets	<u>\$ 318,918</u>	<u>\$ 31,458,103</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds				
	Gas Fund	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund
Operating Revenues:					
Charges for services	\$ 4,105,098	\$ 774,338	\$ 963,716	\$ 1,797,298	\$ 61,614
Operating Expenses:					
Personnel services	858,807	482,569	653,403	836,732	90,300
General operating	2,562,182	376,552	595,554	492,894	54,657
Depreciation	170,197	239,513	102,461	223,718	46,641
Total operating expenses	<u>3,591,186</u>	<u>1,098,634</u>	<u>1,351,418</u>	<u>1,553,344</u>	<u>191,598</u>
Operating income (loss)	513,912	(324,296)	(387,702)	243,954	(129,984)
Non-Operating Revenues (Expenses):					
Intergovernmental	7,954	928,934	125,000	2,167,327	428,550
Interest income	74,736	23,882	8,999	39,220	2,404
Miscellaneous	2,111	16,694	2,711	26,970	-
Interest expense	-	(76,847)	-	(71,051)	-
Disposal of assets	-	-	-	-	-
Total non-operating revenues (expenses)	<u>84,801</u>	<u>892,663</u>	<u>136,710</u>	<u>2,162,466</u>	<u>430,954</u>
Income (loss) before transfers	598,713	568,367	(250,992)	2,406,420	300,970
Transfers:					
Transfer in	62,500	309,781	-	377,225	-
Transfers (out)	<u>(47,762)</u>	<u>(369,333)</u>	<u>-</u>	<u>(145,470)</u>	<u>(350,396)</u>
Total transfers	<u>14,738</u>	<u>(59,552)</u>	<u>-</u>	<u>231,755</u>	<u>(350,396)</u>
Change in net assets	613,451	508,815	(250,992)	2,638,175	(49,426)
Net assets, beginning of year	5,485,513	7,346,425	1,496,006	9,260,217	6,010,851
Restatements	<u>169,375</u>	<u>(321,054)</u>	<u>(511,335)</u>	<u>96,105</u>	<u>(1,352,941)</u>
Net assets, beginning of year restated	<u>5,654,888</u>	<u>7,025,371</u>	<u>984,671</u>	<u>9,356,322</u>	<u>4,657,910</u>
Net assets, end of year	<u>\$ 6,268,339</u>	<u>\$ 7,534,186</u>	<u>\$ 733,679</u>	<u>\$ 11,994,497</u>	<u>\$ 4,608,484</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		Internal Service Funds
	Non-Major Fund	Total	
Operating Revenues:			
Charges for services	\$ 30,914	\$ 7,732,978	\$ 2,447
Operating Expenses:			
Personnel services	-	2,921,811	-
General operating	25,157	4,106,996	61,789
Depreciation	2,710	785,240	-
Total operating expenses	<u>27,867</u>	<u>7,814,047</u>	<u>61,789</u>
Operating income (loss)	3,047	(81,069)	(59,342)
Non-Operating Revenues (Expenses):			
Intergovernmental	-	3,657,765	-
Interest income	1,340	150,581	33
Miscellaneous	-	48,486	-
Interest expense	-	(147,898)	-
Disposal of assets	351	351	-
Total non-operating revenues (expenses)	<u>1,691</u>	<u>3,709,285</u>	<u>33</u>
Income (loss) before transfers	4,738	3,628,216	(59,309)
Tranfers:			
Transfer in	-	749,506	95,131
Transfers (out)	-	(912,961)	(61,739)
Total transfers	<u>-</u>	<u>(163,455)</u>	<u>33,392</u>
Change in net assets	4,738	3,464,761	(25,917)
Net assets, beginning of year	371,679	29,970,691	25,917
Restatements	<u>(57,499)</u>	<u>(1,977,349)</u>	<u>-</u>
Net assets, beginning of year restated	<u>314,180</u>	<u>27,993,342</u>	<u>25,917</u>
Net assets, end of year	<u>\$ 318,918</u>	<u>\$ 31,458,103</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for business-type activities in the statement of activities are different because:

Net change in net assets total enterprise funds (page twenty-seven)	\$ 3,464,761
Net change in net assets total enterprise funds (page twenty-seven)	(25,917)
In the prior years, the City reflected a receivable within the business-type activities due from the governmental activities for the internal service funds net residual look back income and loss. During the current year, the City discontinued the use of internal service funds. The City has transferred amounts from the business-type activities to the governmental activities in effect reducing the receivable reflected from the net residual look back income and loss.	(254,662)
Net change in business-type activities government-wide financial statements (page eighteen)	\$ 3,184,182

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities Enterprise Funds			
	Gas Fund	Sewer Fund	Solid Waste Fund	Water Fund
Cash Flows From Operating Activities:				
Cash received from customers	\$ 4,011,152	\$ 796,600	\$ 867,682	\$ 1,573,210
Internal activity - receipts from other funds	-	-	-	-
Cash payments to suppliers from goods and services	(2,574,882)	(367,666)	(543,938)	(503,404)
Cash payments to employees for services	(826,510)	(466,651)	(667,839)	(851,105)
Net cash provided (used) by operating activities	609,760	(37,717)	(344,095)	218,701
Cash Flows for Non-Capital and Financing Activities:				
Cash received from intergovernmental sources	7,954	938,567	125,000	1,956,872
Cash received from miscellaneous sources	2,111	16,914	2,711	26,970
Net change in customer deposits	(429,857)	-	-	(45,253)
Net transfers in (out)	22,630	309,781	-	(145,470)
Net cash provided (used) by non-capital and related financing activities	(397,162)	1,265,262	127,711	1,793,119
Cash Flows for Capital and Financing Activities:				
Acquisition of capital assets	(59,099)	(356,548)	-	(3,129,633)
Proceeds from the sale of assets	-	3,840	-	-
Loan proceeds	-	260,982	-	1,603,598
Principal payments on capital debt	-	(74,057)	-	(84,796)
Interest on capital debt	-	(80,184)	-	(75,334)
Net cash provided (used) by capital and related financing activities	(59,099)	(245,967)	-	(1,686,165)
Cash Flows From Investing Activities:				
Interest income	60,253	10,854	9,210	26,675
Net increase (decrease) in cash	213,752	992,432	(207,174)	352,330
Cash and cash equivalents, beginning of year	2,765,362	2,171,114	720,435	3,156,170
Reclassification of cash as investments	(821,026)	(2,076,109)	(218)	(2,164,268)
Cash and cash equivalents, beginning of year, restated	1,944,336	95,005	720,217	991,902
Cash and cash equivalents, end of year	<u>\$ 2,158,088</u>	<u>\$ 1,087,437</u>	<u>\$ 513,043</u>	<u>\$ 1,344,232</u>
Displayed as:				
Cash	\$ 2,284,496	\$ 1,137,437	\$ 513,272	\$ 1,285,350
Restricted cash	330,327	-	-	53,145
Time deposits not considered cash equivalents	(456,735)	(50,000)	(229)	(58,334)
	<u>\$ 2,158,088</u>	<u>\$ 1,087,437</u>	<u>\$ 513,043</u>	<u>\$ 1,280,161</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 513,912	\$ (324,296)	\$ (387,702)	\$ 243,954
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	170,197	239,513	102,461	223,718
Landfill monitoring	-	-	79,865	-
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(93,946)	40,034	(96,034)	(224,088)
(Increase) decrease in inventories	6,223	1,148	-	(4,704)
Decrease in due to other funds	-	-	-	-
Increase (decrease) in accounts payable	(18,923)	(10,034)	(28,249)	(5,806)
Increase (decrease) in accrued salaries	19,792	8,283	10,865	12,438
Increase (decrease) in compensated absences	12,505	7,635	(25,301)	(26,811)
Increase (decrease) in due from other funds	-	-	-	-
Total adjustments	95,848	286,579	43,607	(25,253)
Net cash provided (used) by operating activities	<u>\$ 609,760</u>	<u>\$ (37,717)</u>	<u>\$ (344,095)</u>	<u>\$ 218,701</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
JUNE 30, 2009

	Business-Type Activities		Enterprise Funds	Internal Service Funds
	Airport Fund	Non-Major Fund	Total	
Cash Flows From Operating Activities:				
Cash received from customers	\$ 61,614	\$ 40,661	\$ 7,350,919	\$ -
Internal activity - receipts from other funds	-	-	-	1,156
Cash payments to suppliers for goods and services	(184,305)	(30,900)	(4,205,095)	(61,789)
Cash payments to employees for services	(82,668)	-	(2,894,773)	-
Net cash provided (used) by operating activities	(205,359)	9,761	251,051	(60,633)
Cash Flows for Non-Capital and Financing Activities:				
Cash received from intergovernmental sources	460,130	-	3,488,523	-
Cash received from miscellaneous sources	-	-	48,706	-
Net change in customer deposits	-	-	(475,110)	-
Net transfers in (out)	(350,396)	-	(163,455)	33,392
Net cash provided (used) by non-capital and related financing activities	109,734	-	2,898,664	33,392
Cash Flows for Capital and Financing Activities:				
Acquisition of capital assets	(83,535)	-	(3,628,815)	-
Proceeds from the sale of assets	-	351	4,191	-
Loan proceeds	-	-	1,864,580	-
Principal payments on capital debt	-	-	(158,853)	-
Interest on capital debt	-	-	(155,518)	-
Net cash provided (used) by capital and related financing activities	(83,535)	351	(2,074,415)	-
Cash Flows From Investing Activities:				
Interest income	2,518	1,388	110,898	33
Net increase (decrease) in cash	(176,642)	11,500	1,186,198	(27,208)
Cash and cash equivalents, beginning of year	247,351	113,270	9,173,702	27,208
Reclassification of cash as investments	(2,848)	(22,075)	(5,086,544)	-
Cash and cash equivalents, beginning of year, restated	244,503	91,195	4,087,158	27,208
Cash and cash equivalents, end of year	<u>\$ 67,861</u>	<u>\$ 102,695</u>	<u>\$ 5,273,356</u>	<u>\$ -</u>
Displayed as:				
Cash	\$ 69,861	\$ 118,195	\$ 5,408,611	
Restricted cash	-	-	383,472	
Time deposits not considered cash equivalents	(2,000)	(15,500)	(582,798)	
	<u>\$ 67,861</u>	<u>\$ 102,695</u>	<u>\$ 5,209,285</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (129,984)	\$ 3,047	\$ (81,069)	\$ (59,342)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	46,641	2,710	785,240	-
Landfill monitoring	-	-	79,865	-
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	-	9,747	(364,287)	-
(Increase) decrease in inventories	-	-	2,667	-
Decrease in due to other funds	-	-	-	3,263
Increase (decrease) in accounts payable	(129,648)	(5,743)	(198,403)	-
Increase (decrease) in accrued salaries	1,235	-	52,613	-
Increase (decrease) in compensated absences	6,397	-	(25,575)	-
Increase (decrease) in due from other funds	-	-	-	(4,554)
Total adjustments	(75,375)	6,714	332,120	(1,291)
Net cash provided (used) by operating activities	<u>\$ (205,359)</u>	<u>\$ 9,761</u>	<u>\$ 251,051</u>	<u>\$ (60,633)</u>

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
JUNE 30, 2009

	<u>Agency Funds</u>
Assets	
Cash	\$ 6,445
Interest receivable	<u>743</u>
Total assets	<u><u>\$ 7,188</u></u>
Liabilities	
Held for others	<u>\$ 7,188</u>
Total liabilities	<u><u>\$ 7,188</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Deming (City), established on March 3, 1902, is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police and fire), highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City's basic financial statements include all activities and accounts of the City's "financial reporting entity."

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the City during the fiscal year ended June 30, 2009.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund 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 on a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund and the co-op capital projects fund are the major governmental funds.

The gas, sewer, solid waste, water and airport funds are the major enterprise funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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. For this purpose, the City 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 made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

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 are charges to customers for sales and services. Operating expenses for the enterprise 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. The City reports the following proprietary fund types:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

The reporting focus for fiduciary funds is on net assets and changes in net assets, and are reported using the accounting principles similar to proprietary funds.

The City reports the following major governmental funds:

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

The *co-op capital project fund* was established to record revenues and expenditures for state grant funds received for road improvement projects approved by the state legislature. The fund is authorized by City Council.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

The City maintains twenty-four other individual governmental funds that are considered nonmajor funds; eighteen are classified as special revenue funds, and six are classified as capital projects funds. A description of each nonmajor governmental fund is as follows:

Special Revenue Funds

The *emergency medical services fund* accounts for the acquisition of emergency medical equipment financed through a grant from the state of New Mexico. The fund is authorized by Emergency Medical Fund Act, 24-10A-6, NMSA 1978.

The *fire fund* accounts for the operation and acquisition of assets for the Fire Department. This fund is financed through the state fire allotment. The fund is authorized by the Fire Protection Act, 59A-53-1, NMSA 1978.

The *law enforcement protection fund* accounts for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The fund is authorized by Law Enforcement Protection Fund Act, 29-13-3, NMSA 1978.

The *library fund* accounts for the receipts and disbursements for operations of the City's public library. Financing is provided from state grants and private donations. The fund is authorized by 3-18-14, NMSA 1978.

The *lodger's tax fund* accounts for the operations of promotional activities of the City of Deming. Financing is provided primarily by specific tax levy on area motels and hotels. The fund is authorized by 14-37-16, NMSA 1969.

The *lodger's tax promotional fund* accounts for the disbursements for advertising, publicizing, and promoting such facilities of the City of Deming and tourist facilities within the City. The fund is authorized by 14-37-16, NMSA 1978.

The *street fund* accounts for the receipts and disbursements for City street improvements. Financing is provided from motor vehicle fees and state grants. The fund is authorized by Section 7-1-6.27, NMSA 1978.

The *recreation fund* accounts for the operations and maintenance of City owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. The fund is authorized by 7-12-15 and 16, NMSA 1978.

The *economic development fund* accounts for the receipts and disbursements for City economic development projects. Financing is provided from state grants and transfers from the general fund. The fund is authorized by City Council.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *special events center fund* accounts for the receipts and disbursements for operations of the City's community civic center. Financing is provided from user fees of the civic center. The fund is authorized by City Council.

The *community center fund* accounts for the receipts and disbursements for operations of the City's community youth center. Financing is provided from user fees of the community center. The fund is authorized by City Council.

The *boot camp fund* accounts for the receipts and disbursements for the establishment and operations of the City's juvenile boot camp. Financing is provided by user fees and private donations. The fund is authorized by City Council.

The *traffic safety fund* accounts for the receipts and disbursements for the purchase of equipment and other services for the City's police department. Financing is provided by fines assessed by the City's municipal court. The fund is authorized by City Council.

The *Mimbres Valley authority fund* accounts for the receipts and disbursements for the establishment and operation of an enterprise community including economic, education and community development services, program and facilities as desirable and necessary to promote the public interest, general welfare, health and safety of the inhabitants of the City. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *regional transportation fund* accounts for the receipts and disbursements of the Technical Advisory Committee to establish a plan and framework for future transportation needs within the City and surrounding area. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *swimming pool fund* accounts for the receipts and disbursements for operations of the City's swimming pool. Financing is provided by user fees of the swimming pool and transfers from the general fund. The fund is authorized by City Council.

The *library trust fund* accounts for the receipts and disbursements for the purchase of library materials. Financing is provided by private donations. The fund is authorized by City Council.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Special Revenue Funds (continued)

The *cemetery trust fund* accounts for the receipts and disbursements for the maintenance of the City's cemetery. Financing is provided by private donations. The fund is authorized by City Council.

Capital Projects Funds

The *CDBG 2008/2009 fund* accounts for the receipts and disbursements for various street improvement projects. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *park acquisition fund* accounts for the receipts and disbursements for the acquisition of land for City parks. Financing is provided by fees received from real estate developers. The fund is authorized by City Council.

The *landfill fund* accounts for the receipts and disbursements for the construction of a new City landfill. Financing is provided by state grants and loans. The fund is authorized by City Council.

The *Voiers park fund* accounts for the receipts and disbursements for the construction and maintenance of Voiers Park. Financing is provided by state grants. The fund is authorized by City Council.

The *Peru Mills cleanup fund* accounts for the receipts and disbursements for the construction of a solid waste transfer station. Financing is provided by federal and state grants. The fund is authorized by City Council.

The *wastewater plan fund* accounts for the receipts and disbursements for future capital improvements within the City's utility system. Financing is provided by yearly compensation from Luna Energy Facility (PNM). The fund is authorized by City Council.

The City reports the following major business-type funds:

The *gas fund* accounts for the provision of gas 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 *sewer fund* accounts for the provision of sewer 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.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The *solid waste fund* accounts for the disposal of solid waste for the residents of the City.

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 *airport fund* accounts for the operations and maintenance of the airport. Financing is provided by fuel sales and fees for services. The fund is authorized by City Council.

The City maintains one other individual enterprise fund that is considered a non-major fund. A description of the non-major enterprise fund is as follows:

The *cemetery fund* accounts 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.

The City maintains two individual internal service funds. A description of each fund is as follows:

The *insurance trust revenue fund* accounts for the receipts from various City departments to pay for group insurance for all City employees.

The *insurance trust expense fund* accounts for the cost of providing group health insurance benefits to City employees.

D. Budgets

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The City Administrator is responsible for preparing the budget from requests submitted by department heads.

The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval.

DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year.

The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a reserved portion of fund balance. Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways.

If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair value. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investment pool. Cash and certificates of deposit are reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund balance. Long term 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.

3. Inventory

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as “deposits held in trust for others.”

5. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

6. Capital Assets

Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems, and similar items. Such assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City’s internal capitalization policy defines capital assets as assets with an initial individual cost of more than \$500, and an estimated useful life in excess of one year. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City to capitalize information technology (IT) equipment, including software, and include such items in the furniture, fixtures, and equipment category.

Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset’s lives are not capitalized.

During the 2005 regular New Mexico legislative session, the Legislature enacted HB 1074 amending Section 12-6-10, NMSA 1978, and changing the capitalization threshold for movable chattel and equipment from costing more than \$1,000 to items costing more than \$5,000. The 2005 amendment became effective June 17, 2005. The City has elected to continue to capitalize acquisitions of property and equipment, under their internal capitalization policy, of all assets costing more than \$500. The City continues to capitalize certain assets with costs below the threshold because it deems the tracking of such assets to be important. All assets capitalized prior to July 1, 2005, which are property of the City; remain on the financial and accounting records of the City.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

6. Capital Assets (continued)

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. Net revenue bond interest cost incurred during construction is capitalized when material. The City did not incur an interest on construction projects during the current fiscal year and, as such, no interest was included as part of the cost of capital assets under construction.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and other improvements	10 - 50
Utility system	40
Public domain infrastructure	40-50
Machinery and equipment, including vehicles	5 - 10

7. Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment.

Vacation Pay – Each employee of the City may accumulate up to a total of two hundred forty hours of vacation per year. Employees can carry over a maximum of two hundred forty hours of vacation to the next fiscal year. The maximum amount of accumulated vacation is based on the number of years of service. 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.

Sick Leave – Each employee of the City may accumulate up to a total of two hundred forty hours of sick leave per year. Employees may carry over a maximum of one thousand hours and begin accruing at a reduced rate for any hours in excess of one thousand. The maximum amount of accumulated sick leave is based on the number of years of service. If the employee has qualified to retire under the state retirement program, the City will pay the employee's sick leave on the last day of service to the City. Accordingly, the sick leave earned for certain employees is accrued on the government-wide and proprietary fund financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

8. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability with the balance sheet.

9. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

10. Long-Term Obligations

In the government-wide financial statements, long-term obligations and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and 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 are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the City, not restricted for any project or other purpose.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

12. Fund Equity Reservation and Designations

In the fund financial statements, funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Additionally, designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

Reserved for debt service – Represents the amounts that are required to be used for future retirement of long-term debt.

Reserved for subsequent year's expenditures – Represents amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Unreserved – Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

13. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of bonds proceeds whereas issuance costs are recorded as expenditures.

14. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

15. Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

16. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH AND INVESTMENTS

Cash

New Mexico State statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America 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 day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited With Financial Institutions

The City maintains cash in four financial institutions within Deming, New Mexico, and one financial institution within Pleasant Ridge, Michigan. The City's deposits are carried at cost.

As of June 30, 2009, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ -	\$ 3,650	\$ 3,650
1st New Mexico Bank	7,250,293	893,156	8,143,449
Chino Federal Credit Union	241,061	-	241,061
First Savings Bank	5,156,247	(1,160,296)	3,995,951
Multi-Bank Securities	196,795	-	196,795
Wells Fargo Bank	3,993	-	3,993
	<hr/>	<hr/>	<hr/>
Total cash deposits	\$ 12,848,389	\$ (263,490)	\$ 12,584,899
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of Net Assets:	
Cash	\$ 12,194,982
Restricted cash	383,472
Statement of fiduciary net assets	<hr/> 6,445
	<hr/>
Total cash reported on financial statements	\$ 12,584,899
	<hr/> <hr/>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the State statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	1st New Mexico Bank	Chino Federal Credit Union	First Savings Bank	Multi-Bank Securities	Wells Fargo Bank
Checking accounts	\$ 6,148,848	\$ -	\$ 3,963,747	\$ -	\$ 3,993
Certificates of deposit	1,101,445	241,061	1,192,500	196,795	-
Total deposits	7,250,293	241,061	5,156,247	196,795	3,993
FDIC coverage	(500,000)	(241,061)	(500,000)	(196,795)	(3,993)
Total uninsured public funds	<u>\$ 6,750,293</u>	<u>\$ -</u>	<u>\$ 4,656,247</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged securities	8,431,277	\$ -	\$ 5,691,050	\$ -	\$ 184,659
Collateral requirement (50% of uninsured public funds)	(3,375,147)	-	(2,328,124)	-	-
Over (under) collateralization	<u>\$ 5,056,130</u>	<u>\$ -</u>	<u>\$ 3,362,926</u>	<u>\$ -</u>	<u>\$ 184,659</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$11,406,540 of the City's bank balance of \$12,848,389 was exposed to custodial credit risk as follows:

	1st New Mexico Bank	Chino Federal Credit Union	First Savings Bank	Multi-Bank Securities	Wells Fargo Bank	Total
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	<u>\$ 6,750,293</u>	<u>\$ -</u>	<u>\$ 4,656,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,406,540</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH AND INVESTMENTS (continued)

Investments

Investments at June 30, 2009 were as follows:

<u>Agency</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Market Value</u>
NM State Treasurer	Investment Pool	N/A	\$ 189,426
Bank of Albuquerque, N.A.	U.S. Treasury Fund	N/A	2,260,157
Multi-Bank Securities, Inc.	Various	N/A	736,558
Edward Jones	Various	N/A	36,066
			<u>\$ 3,222,207</u>

The amounts reported as investments for the government within the financial statements are displayed as:

Statement of Net Assets:	
Investments	\$ 852,240
Restricted investments	<u>2,369,967</u>
	<u>\$ 3,222,207</u>

Cash Deposited With The New Mexico State Treasurer

New Mexico State statutes authorize the creation of the local short-term investment fund in the New Mexico State Treasury. The statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control. The purpose of the local short-term fund is to provide an investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management.

As of June 30, 2009, the combined balance of the City's investment within the short-term investment fund was \$189,426. The cost basis and the fair market basis of the deposit are equal to \$189,426 (amount of investment). The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standards and Poor's. Section 6-10-10.1, 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.

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 average yield at June 30, 2009, was 2.85%.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND INVESTMENTS (continued)

Cash Deposited With The New Mexico State Treasurer (continued)

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment’s fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio’s weighted average maturity (WAM) is a key determinant of the tolerance of a fund’s investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio’s weighted average maturity is 43-day WAM.

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.

Other Investments

As part of the note agreements and covenants, the City has cash invested, in the amount of \$1,943,634 at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. Additionally, the City has invested \$316,523 for debt service with the same bank. The cash is invested in a U.S. Treasury Fund. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The market value at June 30, 2009, reflected by the trust department is \$2,260,157. The fund is not subject to categorization.

The City has idle cash invested, in the amount of \$736,558 at Multi-Bank Securities, Inc., Pleasant Ridge, Michigan. The fund is composed of three Ginnie Mae mortgage backed securities totaling \$48,536; two Federal National Mortgage Association securities totaling \$393,188; and one Federal Home Loan Bank security totaling \$294,834. The fund is not subject to categorization.

The City had idle cash invested, in the amount of \$36,066 at Edward Jones, Deming, New Mexico. The fund is composed of five Ginnie Mae mortgage backed securities totaling \$36,066. The fund is not subject to categorization.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ 1,828,521	\$ 1,509,585
Allowance for doubtful accounts	(1,509,616)	(802,771)
	\$ 318,905	\$ 706,814

The City’s policy is to provide for uncollectible accounts based upon expected defaults.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

4. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2009, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 70,502	\$ -
Local effort sales taxes	67,729	-
State shared taxes	1,210,776	-
Net taxes receivable	<u>\$ 1,349,007</u>	<u>\$ -</u>

5. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments at June 30, 2009, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal grants	\$ 596,926	\$ 60,065
State grants	195,773	190,183
Total	<u>\$ 792,699</u>	<u>\$ 250,248</u>

6. NOTE RECEIVABLE

On August 28, 2008, the City approved Ordinance No. 1177, a Local Economic Development Project for Secured Financial Assistance (loan) with Proper Foods, Inc., in the amount of \$500,000. The note matures on June 30, 2021, and accrues interest at 3% per annum. The loan was approved by the City to provide a bridge of financial assistance to hold a major employer in the community that will continue to provide significant jobs.

The annual requirements to amortize the note receivable outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ended June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 15,000	\$ 15,000
2011	-	15,000	15,000
2012	50,000	15,000	65,000
2013	50,000	13,500	63,500
2014	50,000	12,000	62,000
2015-2019	250,000	37,500	287,500
2020-2021	100,000	4,500	104,500
	<u>\$ 500,000</u>	<u>\$ 112,500</u>	<u>\$ 612,500</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Luna County Assessor to develop the property tax schedule by October 1st. The Luna County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2008, was \$2.884 per \$1,000 for non-residential and \$2.568 for residential property. In the year 2008, there was no tax rate established for payment of bonds principal and interest.

8. CAPITAL ASSETS

During the fiscal year, the City performed an intensive inventory and review of its capital assets and the subsidiary records. The City discovered errors in the amounts reported at June 30, 2008 within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/08	Corrections	Restated Balance 06/30/08
Governmental Capital Assets:			
Land	\$ 6,230,533	\$ (9,830)	\$ 6,220,703
Buildings	10,287,230	96,279	10,383,509
Infrastructure	44,873,452	(27,317)	44,846,135
Equipment	7,687,910	18,762	7,706,672
Construction in progress	1,328,819	-	1,328,819
Accumulated depreciation:			
Buildings	(2,656,249)	(5,190,648)	(7,846,897)
Infrastructure	(24,020,611)	73,633	(23,946,978)
Equipment	(6,001,440)	(54,987)	(6,056,427)
Net governmental capital assets	<u>\$ 37,729,644</u>	<u>\$ (5,094,108)</u>	<u>\$ 32,635,536</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. CAPITAL ASSETS (continued)

	Balance 06/30/08	Corrections	Restated Balance 06/30/08
Business-Type Capital Assets:			
Land	\$ 5,846,690	\$ (10,001)	\$ 5,836,689
Construction in progress	2,777,955	132,884	2,910,839
Buildings	4,527,838	722,446	5,250,284
Utility system	21,026,626	(84,067)	20,942,559
Airport infrastructure	1,901,539	(1,021,683)	879,856
Equipment	4,001,698	(4)	4,001,694
Accumulated depreciation:			
Buildings	(2,581,582)	(1,785,613)	(4,367,195)
Utility system	(8,508,786)	127,399	(8,381,387)
Airport infrastructure	(107,732)	11,010	(96,722)
Equipment	(2,990,610)	(40,302)	(3,030,912)
Net business-type capital assets	<u>\$ 25,893,636</u>	<u>\$ (1,947,931)</u>	<u>\$ 23,945,705</u>

Capital assets for the fiscal year ended June 30, 2009, are as follows:

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,220,703	\$ 37,645	\$ (21,711)	\$ 6,236,637
Construction in progress	1,328,819	4,210,634	-	5,539,453
Total capital assets, not being depreciated	7,549,522	4,248,279	(21,711)	11,776,090
Other capital assets, being depreciated:				
Buildings	10,383,509	78,150	(39,508)	10,422,151
Infrastructure	44,846,135	-	-	44,846,135
Equipment	7,706,672	522,309	(89,000)	8,139,981
Total other capital assets, being depreciated	62,936,316	600,459	(128,508)	63,408,267
Less accumulated depreciation:				
Buildings	(7,846,897)	(219,994)	23,951	(8,042,940)
Infrastructure	(23,946,978)	(907,473)	-	(24,854,451)
Equipment	(6,056,427)	(527,261)	58,212	(6,525,476)
Total accumulated depreciation	(37,850,302)	(1,654,728)	82,163	(39,422,867)
Other capital assets, net	25,086,014	(1,054,269)	(46,345)	23,985,400
Total capital assets, net	<u>\$ 32,635,536</u>	<u>\$ 3,194,010</u>	<u>\$ (68,056)</u>	<u>\$ 35,761,490</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions (programs) as follows:

General government	\$	97,946
Public safety		245,102
Public works		964,690
Culture and recreation		240,540
Health and welfare		103,405
Economic development		3,045
		<u>1,654,728</u>
	\$	<u>1,654,728</u>

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business-Type Activities:				
Land	\$ 5,836,689	\$ 160,018	\$ (4,060)	\$ 5,992,647
Construction in progress	2,910,839	3,226,259	-	6,137,098
Total capital assets, not being depreciated	8,747,528	3,386,277	(4,060)	12,129,745
Other capital assets, being depreciated:				
Buildings	5,250,284	-	-	5,250,284
Utility system	20,942,559	-	-	20,942,559
Airport infrastructure	879,856	-	-	879,856
Equipment	4,001,694	242,538	-	4,244,232
Total other capital assets, being depreciated	31,074,393	242,538	-	31,316,931
Less accumulated depreciation for:				
Buildings	(4,367,195)	(65,523)	-	(4,432,718)
Utility system	(8,381,387)	(446,372)	-	(8,827,759)
Airport infrastructure	(96,722)	(23,744)	-	(120,466)
Equipment	(3,030,912)	(249,601)	-	(3,280,513)
Total accumulated depreciation	(15,876,216)	(785,240)	-	(16,661,456)
Other capital assets, net	15,198,177	(542,702)	-	14,655,475
Total capital assets, net	<u>\$ 23,945,705</u>	<u>\$ 2,843,575</u>	<u>\$ (4,060)</u>	<u>\$ 26,785,220</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Restatements	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Governmental Activities:						
Notes payable	\$ 142,685	\$ -	\$ -	\$ (26,749)	\$ 115,936	\$ 27,579
Compensated absences	349,667	40,114	247,306	(331,937)	305,150	212,918
	<u>\$ 492,352</u>	<u>\$ 40,114</u>	<u>\$ 247,306</u>	<u>\$ (358,686)</u>	<u>\$ 421,086</u>	<u>\$ 240,497</u>

Notes Payable – Governmental Activities

On November 8, 2002, the City borrowed \$262,798 from the New Mexico Finance Authority. The note matures on May 1, 2013, and accrues interest at rates between 1.97% and 4.13% per annum. The proceeds of the loan were used to purchase a fire truck. The payments of principal and interest are paid from state fire allotment revenues.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 27,579	\$ 3,948	\$ 31,527
2011	28,475	3,054	31,529
2012	29,431	2,041	31,472
2013	30,451	1,084	31,535
	<u>\$ 115,936</u>	<u>\$ 10,127</u>	<u>\$ 126,063</u>

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Restatements	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Business-Type Activities:						
Notes payable	\$ 4,194,270	\$ -	\$ -	\$ (158,003)	\$ 4,036,267	\$ 163,104
Leases payable	-	-	230,188	(65,711)	164,477	100,159
Landfill closure	387,668	-	79,865	-	467,533	-
Compensated absences	163,087	(40,835)	112,800	(97,540)	137,512	78,880
	<u>\$ 4,745,025</u>	<u>\$ (40,835)</u>	<u>\$ 422,853</u>	<u>\$ (321,254)</u>	<u>\$ 4,805,789</u>	<u>\$ 342,143</u>

Notes Payable – Business-Type Activities

On August 17, 2007, the City borrowed \$1,024,005 from the New Mexico Finance Authority. The note matures on May 1, 2027, and accrues interest at rates between 3.380% and 3.900% per annum. The proceeds of the loan were used for the construction of a water storage tank. The payments of principal and interest are paid from net revenues from the City's water and sewer activities.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 40,813	\$ 31,268	\$ 72,081
2011	41,968	30,116	72,084
2012	43,170	28,916	72,086
2013	44,426	27,664	72,090
2014	45,734	26,358	72,092
2015-2019	250,552	109,968	360,520
2020-2024	294,055	66,571	360,626
2025-2027	201,951	14,489	216,440
	<u>\$ 962,669</u>	<u>\$ 335,350</u>	<u>\$ 1,298,019</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. LONG-TERM OBLIGATIONS (continued)

Notes Payable – Business-Type Activities (continued)

On December 21, 2007, the City entered into a loan agreement with the New Mexico Finance Authority, totaling \$3,191,900. The note matures on May 1, 2027, and accrues interest at rates between 3.40% and 4.53% per annum. The proceeds of the loan will be used for the purpose of defraying the cost of acquiring and installing water and sewer utilities for the Solana project. The payments of principal and interest are paid from water and sewer receipts.

The annual requirements to amortize the loan outstanding as of June 30, 2009, including administrative fee payments, are as follows:

Due in year ending June 30:

	Principal	Fees	Total
2010	\$ 122,291	\$ 125,494	\$ 247,785
2011	126,437	121,359	247,796
2012	130,745	117,060	247,805
2013	135,260	112,557	247,817
2014	140,018	107,811	247,829
2015-2019	781,953	457,397	1,239,350
2020-2024	955,667	284,116	1,239,783
2025-2027	681,227	62,912	744,139
	\$ 3,073,598	\$ 1,388,706	\$ 4,462,304

Lease Purchases Payable – Business-Type Activities

The lease purchases payable are composed of the following:

4.75% lease purchase payable for purchase of an excavator, due in monthly payments of \$4,989, including interest, through October 2010, payable to John Deere Credit, Inc.	\$ 98,340
0% lease purchase payable for wacker and trench roller, due in monthly payment so \$1,389, through November 2010, payable to TCF Equipment Finance.	24,533
0% lease purchase payable for purchase of three trench boxes, due in monthly payments of \$2,256, through November 2010, payable to Southwest Safety Services, Inc.	41,604
	164,477
Less current portion	(100,159)
	\$ 64,318

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

9. LONG-TERM OBLIGATIONS (continued)

Lease Purchases Payable – Business-Type Activities (continued)

The annual requirement to amortize the lease purchases payable as of June 30, 2009, including interest payments, is as follows:

Due in year ending June 30:

	Principal	Interest	Total
2010	\$ 100,159	\$ 3,454	\$ 103,613
2011	64,318	549	64,867
	\$ 164,477	\$ 4,003	\$ 168,480

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require that upon closing, the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of these landfill close and post-closure care costs is based on the estimated capacity of the landfill use to date compared to the total estimated capacity. During the fiscal year, the City continued to prepare the closing of their old landfill and completing the construction of their new landfill.

The total estimated liability for landfill closure costs is \$114,533 as of June 30, 2009, which is based cumulative capacity to date (90%) as a percentage of project capacity at the time of landfill closure. The estimated liability for post-closure care is \$353,000 as of June 30, 2009, which is based on cumulative capacity to date (90%) as a percentage of project capacity at the time of landfill closure.

The estimated total current cost of the landfill closure and post-closure care of \$467,533 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, 2009. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

10. TAXES

Local effort and state shared revenue as of June 30, 2009:

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

10. TAXES (continued)

	General Fund	Total Non-Major Funds	Total Governmental Funds
Local effort taxes:			
Franchise taxes	\$ 285,228	\$ -	\$ 285,228
Lodgers' taxes	-	396,368	396,368
Property taxes	560,398	-	560,398
Gross receipts taxes	3,450,003	-	3,450,003
	<u>\$ 4,295,629</u>	<u>\$ 396,368</u>	<u>\$ 4,691,997</u>
State shared taxes:			
Cigarette taxes	\$ 19,943	\$ 10,008	\$ 29,951
Gasoline taxes	-	448,509	448,509
Gross receipts taxes	3,096,102	-	3,096,102
Motor vehicle registration	230,725	-	230,725
	<u>\$ 3,346,770</u>	<u>\$ 458,517</u>	<u>\$ 3,805,287</u>

11. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Receivable Fund	Payable Fund	Amount
General Fund	Peru Mills Cleanup Fund	<u>\$ 993</u>

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis.

	Transfer In						Total
	General Fund	Co-Op Fund	Gas Fund	Sewer Fund	Water Fund	Non-Major Funds and Internal Service Fund	
Transfer (out):							
General fund	\$ -	\$ 580,000	\$ -	\$ -	\$ -	\$ 1,149,319	\$ 1,729,319
Gas fund	39,870	-	-	-	7,892	-	47,762
Sewer fund	-	-	-	-	369,333	-	369,333
Water fund	145,470	-	-	-	-	-	145,470
Airport fund	350,396	-	-	-	-	-	350,396
Non-Major funds and internal service fund	<u>73,451</u>	<u>-</u>	<u>62,500</u>	<u>309,781</u>	<u>-</u>	<u>371,525</u>	<u>817,257</u>
	<u>\$ 609,187</u>	<u>\$ 580,000</u>	<u>\$ 62,500</u>	<u>\$ 309,781</u>	<u>\$ 377,225</u>	<u>\$ 1,520,844</u>	<u>\$ 3,459,537</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

12. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2009, the City determined that changes to the beginning of year net assets and fund balances were necessary. A description and the effect of the changes are as follows:

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Government-Wide Financial Statements:			
Restated governmental activities capital assets balances due to errors in the subsidiary ledgers	\$ (5,094,108)		
Restated governmental activities compensated absences balances due to errors in the subsidiary ledgers	(40,114)		
General Fund:			
Restated accounts receivable as the amounts were not included in the subsidiary ledgers	266,178		\$ 266,178
Restated intergovernmental receivables balances due to errors in the subsidiary ledgers	(49,426)		(49,426)
Restated prior years' accounts payable due to errors in the subsidiary ledgers	23,033		<u>23,033</u>
			<u>\$ 239,785</u>
Fire Fund:			
Restated restricted cash for debit service balances due to errors in the subsidiary ledgers	52		<u>\$ 52</u>
Gas Fund:			
Eliminate interfund receivable and payable balances due to errors in the subsidiary ledgers		\$ (291,844)	\$ (291,844)
Restated accounts receivables balances due to errors in the subsidiary ledgers		(7,954)	(7,954)
Restated business activities capital assets balances due to errors in the subsidiary ledgers		101,558	101,558
Restated customer deposit balances due to errors in the subsidiary ledgers		342,517	342,517
Restated customer overpayment amounts due to errors in the subsidiary ledgers		25,098	<u>25,098</u>
			<u>\$ 169,375</u>
Sewer Fund:			
Restated intergovernmental receivables balances due to errors in the subsidiary ledgers		49,426	\$ 49,426
Restated accounts receivable balances due to errors in the subsidiary ledgers		1,440	1,440
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(371,920)	<u>(371,920)</u>
			<u>\$ (321,054)</u>

**STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

12. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Solid Waste Fund:			
Restated accounts receivables balances due to errors in the subsidiary ledgers		(84)	\$ (84)
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(511,251)	(511,251)
			\$ (511,335)
Water Fund:			
Restated water deposit balances due to errors in the subsidiary ledgers		(98,398)	\$ (98,398)
Restated accounts receivables balances due to errors in the subsidiary ledgers		(49,620)	(49,620)
Restated business activities capital assets balances due to errors in the subsidiary ledgers		244,123	244,123
			\$ 96,105
Cemetery Fund:			
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(57,499)	\$ (57,499)
Airport Fund:			
Restated construction in progress balances due to errors in the subsidiary ledgers		132,884	\$ 132,884
Restated business activities capital assets balances due to errors in the subsidiary ledgers		(1,485,825)	(1,485,825)
			\$ (1,352,941)
Total	\$ (4,894,385)	\$ (1,977,349)	

13. DEFICIT FUND BALANCE

The following funds had a deficit fund balance as of June 30, 2009:

Fund	Amount
Community Center	\$ 5,700
Boot Camp	17
Peru Mills Clean-up Project	993

The deficit balances are the direct effect of the requirement to expend program costs prior to reimbursement from the funding sources. The revenues were received beyond the period considered available and thus the City did not record the revenues reducing the deficit to zero.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

14. BUDGET RECONCILIATION

The City prepares its budget utilizing the cash basis of accounting. The City presents the following information that reconciles the general fund budgetary comparison statement with the statement of revenues, expenditures, and changes in fund balances. The reconciliation of the remaining funds follows the budgetary comparison statements of each type of fund.

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 9,669,426
Differences - budget to GAAP:	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	(132,896)
Real estate taxes deferred in the previous year are recognized when considered available for financial reporting purposes. The real estate taxes are not recognized for budgetary purposes until received.	19,317
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 9,555,847
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 8,959,600
Differences - Budget to GAAP:	
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	56,437
The City budgets for salaries paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	77,999
Total expenditures, as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 9,094,036
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) transfers in (out) from the budgetary comparison schedule.	\$ (1,120,132)
Differences - Budget to GAAP:	
None.	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances	\$ (1,120,132)

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

15. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple-employer defined benefit plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$843,453, \$785,032 and \$696,946, respectively, equal to the amount of the required contributions for each year.

16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

16. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Plan Description (continued)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$81,311, \$113,860 and \$106,603, respectively, which equal the required contributions for each year.

Pursuant to GASB 43, a legal determination has been made whereby the Retiree Healthcare Authority is considered a multiple employer cost sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the City's books.

17. RELATED PARTY TRANSACTIONS

The City has a related party transaction, involving a City councilor. For the fiscal year ended June 30, 2009, the totals of these additional related party transactions are immaterial in respect to the financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

18. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operates as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

19. CONTINGENT LIABILITIES

Amounts received or receivable from grantor 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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

Special Revenue Funds

	Emergency Medical Services Fund	Fire Fund	Law Enforcement Protection Fund	Library Fund	Lodger's Tax Fund	Lodger's Tax Promotional Fund	Street Fund	Recreation Fund	Economic Development Fund
ASSETS									
Cash	\$ -	\$ 87,416	\$ 2,008	\$ 62,183	\$ 283,009	\$ 250,023	\$ 54,251	\$ 79,718	\$ 16,005
Investments	-	-	-	8,081	95,362	955	-	99	-
Taxes receivable	-	-	-	-	28,724	-	67,039	1,284	-
Intergovernmental receivable	-	-	-	-	-	-	-	5,090	-
Note receivable	-	-	-	-	-	-	-	-	500,000
Accrued interest receivable	-	-	-	-	-	-	-	-	-
Restricted:									
Investments	-	19,431	-	-	-	-	-	-	-
Total assets	\$ -	\$ 106,847	\$ 2,008	\$ 70,264	\$ 407,095	\$ 250,978	\$ 121,290	\$ 86,191	\$ 516,005
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 735	\$ 5,348	\$ 1,916	\$ 16,018	\$ 42,694	\$ 4,011	\$ 2,096
Accrued salaries	-	-	-	5,052	-	-	2,918	7,097	-
Deferred revenues	-	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	735	10,400	1,916	16,018	45,612	11,108	2,096
Fund Balances:									
Reserved:									
Debt service	-	19,431	-	-	-	-	-	-	-
Subsequent year's expenditures	-	87,416	1,273	31,012	34,400	4,500	-	2,360	9,020
Unreserved	-	-	-	28,852	370,779	230,460	75,678	72,723	504,889
Total fund balances	-	106,847	1,273	59,864	405,179	234,960	75,678	75,083	513,909
Total liabilities and fund balances	\$ -	\$ 106,847	\$ 2,008	\$ 70,264	\$ 407,095	\$ 250,978	\$ 121,290	\$ 86,191	\$ 516,005

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds							
	Special Events Center Fund	Community Center Total	Boot Camp Fund	Traffic Safety Fund	Mimbres Valley Authority Fund	Regional Transportation Fund	Swimming Pool Fund	Library Trust Fund
<u>ASSETS</u>								
Cash	\$ 49,230	\$ 26,791	\$ -	\$ 4,373	\$ 173,415	\$ 50,890	\$ 26,855	\$ -
Investments	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-
Restricted:								
Investments	-	-	-	-	-	-	-	-
Total assets	<u>\$ 49,230</u>	<u>\$ 26,791</u>	<u>\$ -</u>	<u>\$ 4,373</u>	<u>\$ 173,415</u>	<u>\$ 50,890</u>	<u>\$ 26,855</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 4,465	\$ 28,727	\$ 17	\$ -	\$ 1,379	\$ -	\$ 7,334	\$ -
Accrued salaries	-	3,764	-	-	1,868	-	10,650	-
Deferred revenues	-	-	-	-	8,570	-	-	-
Due to others	-	-	-	-	-	-	-	-
Total liabilities	4,465	32,491	17	-	11,817	-	17,984	-
Fund Balances:								
Reserved:								
Debt service	-	-	-	-	-	-	-	-
Subsequent years' expenditures	20,100	-	-	4,213	161,598	50,890	8,871	-
Unreserved	24,665	(5,700)	(17)	160	-	-	-	-
Total fund balance	44,765	(5,700)	(17)	4,373	161,598	50,890	8,871	-
Total liabilities and fund balance	<u>\$ 49,230</u>	<u>\$ 26,791</u>	<u>\$ -</u>	<u>\$ 4,373</u>	<u>\$ 173,415</u>	<u>\$ 50,890</u>	<u>\$ 26,855</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Capital Project Funds							
	Cemetery Trust Fund	Total Special Revenue Funds	CDBG 2008/2009 Fund	Park Acquisition Funds	Landfill Capital Project Fund	Voiers Park Fund	Peru Mills Cleanup Project Fund	Wastewater Plant Fund
ASSETS								
Cash	\$ 312,988	\$ 1,479,155	\$ 40,101	\$ 8,762	\$ 711,856	\$ 40,000	\$ -	\$ 200,993
Investments	1,327	105,824	-	-	-	-	-	-
Taxes receivable	-	97,047	-	-	-	-	-	-
Intergovernmental receivable	-	5,090	415,093	-	98,000	-	-	-
Note receivable	-	500,000	-	-	-	-	-	-
Accrued interest receivable	3,214	3,214	-	-	-	-	-	-
Restricted:								
Investments	-	19,431	-	-	-	-	-	-
Total assets	\$ 317,529	\$ 2,209,761	\$ 455,194	\$ 8,762	\$ 809,856	\$ 40,000	\$ -	\$ 200,993
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 641	\$ 115,381	\$ 262,961	\$ -	\$ 69,156	\$ -	\$ -	\$ -
Accrued salaries	1,086	32,435	-	-	486	-	-	-
Deferred revenues	-	8,570	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	993	-
Total liabilities	1,727	156,386	262,961	-	69,642	-	993	-
Fund Balances:								
Reserved:								
Debt service	-	19,431	-	-	-	-	-	-
Subsequent year's expenditures	3,972	419,625	192,233	8,762	740,214	-	-	32,000
Unreserved	311,830	1,614,319	-	-	-	40,000	(993)	168,993
Total fund balances	315,802	2,053,375	192,233	8,762	740,214	40,000	(993)	200,993
Total liabilities and fund balances	\$ 317,529	\$ 2,209,761	\$ 455,194	\$ 8,762	\$ 809,856	\$ 40,000	\$ -	\$ 200,993

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF DEMING
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Total Capital Project Funds	Total Non-Major Funds
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash	\$ 1,001,712	\$ 2,480,867
Investments	-	105,824
Taxes receivable	-	97,047
Intergovernmental receivable	513,093	518,183
Note receivable	-	500,000
Accrued interest receivable	-	3,214
Restricted:		
Investments	-	19,431
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,514,805</u>	<u>\$ 3,724,566</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 332,117	\$ 447,498
Accrued salaries	486	32,921
Deferred revenues	-	8,570
Due to others	993	993
	<u> </u>	<u> </u>
Total liabilities	333,596	489,982
Fund Balances:		
Reserved:		
Debt service	-	19,431
Subsequent year's expenditures	973,209	1,392,834
Unreserved	208,000	1,822,319
	<u> </u>	<u> </u>
Total fund balance	1,181,209	3,234,584
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,514,805</u>	<u>\$ 3,724,566</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds									
	Emergency Medical Services Fund	Fire Fund	Law Enforcement Protection Fund	Library Fund	Lodger's Tax Fund	Lodger's Tax Promotional Fund	Street Fund	Recreation Fund	Economic Development Fund	Special Events Center Fund
Revenues:										
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ 396,368	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-	-	-	448,509	10,008	-	-
Intergovernmental	55,932	91,990	39,200	47,972	-	5,000	12,574	38,090	500,000	-
Charges for services	-	-	-	-	-	-	2,883	-	-	76,167
Fines and forfeitures	-	-	-	13,583	-	-	-	-	-	-
Interest	146	1,174	208	1,128	12,994	6,080	477	1,797	109	304
Miscellaneous	-	-	-	362	-	-	-	15,000	-	-
Total revenues	56,078	93,164	39,408	63,045	409,362	11,080	464,443	64,895	500,109	76,471
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	72,507
Public safety	18,145	8,462	44,526	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	543,873	-	-	-
Culture and recreation	-	-	-	381,160	118,639	253,069	-	356,994	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	12,934	-
Capital outlay	41,408	-	-	-	-	-	-	44,786	-	-
Debt service:										
Principal	-	26,749	-	-	-	-	-	-	-	-
Interest	-	4,420	-	-	-	-	-	-	-	-
Total expenditures	59,553	39,631	44,526	381,160	118,639	253,069	543,873	401,780	12,934	72,507
Excess (deficiency) of revenues over expenditures	(3,475)	53,533	(5,118)	(318,115)	290,723	(241,989)	(79,430)	(336,885)	487,175	3,964
Other Financing Sources (Uses):										
Transfers in	3,885	-	-	300,000	-	183,822	20,000	340,000	20,000	-
Transfers (out)	-	-	-	-	(183,822)	-	-	-	-	-
Total other financing sources (uses)	3,885	-	-	300,000	(183,822)	183,822	20,000	340,000	20,000	-
Net change in fund balances	410	53,533	(5,118)	(18,115)	106,901	(58,167)	(59,430)	3,115	507,175	3,964
Fund balances, beginning of year	(410)	53,262	6,391	77,979	298,278	293,127	135,108	71,968	6,734	40,801
Restatements	-	52	-	-	-	-	-	-	-	-
Fund balance, beginning of year restated	(410)	53,314	6,391	77,979	298,278	293,127	135,108	71,968	6,734	40,801
Fund balances, end of year	<u>\$ -</u>	<u>\$ 106,847</u>	<u>\$ 1,273</u>	<u>\$ 59,864</u>	<u>\$ 405,179</u>	<u>\$ 234,960</u>	<u>\$ 75,678</u>	<u>\$ 75,083</u>	<u>\$ 513,909</u>	<u>\$ 44,765</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Special Revenue Funds

	Community Center Total	Boot Camp Fund	Traffic Safety Fund	Mimbres Valley Authority Fund	Regional Transportation Fund	Swimming Pool Fund	Library Trust Fund	Cemetery Trust Fund	Total Special Revenue Funds
Revenues:									
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 396,368
State shared taxes	-	-	-	-	-	-	-	-	458,517
Intergovernmental	-	-	-	423,896	127,985	-	-	-	1,342,639
Charges for services	74,980	-	1,304	-	-	35,590	-	-	190,924
Fines and forfeitures	-	-	-	-	-	-	-	-	13,583
Interest	273	58	135	-	-	101	-	9,905	34,889
Miscellaneous	6,181	560	-	-	8,736	133	-	7,722	38,694
Total revenues	81,434	618	1,439	423,896	136,721	35,824	-	17,627	2,475,614
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	38,104	110,611
Public safety	-	-	10,616	-	-	-	-	-	81,749
Public works	-	-	-	-	28,776	-	-	-	572,649
Culture and recreation	227,685	-	-	-	-	151,739	564	-	1,489,850
Health and welfare	-	99,255	-	272,927	-	-	-	-	372,182
Economic development	-	-	-	-	-	-	-	-	12,934
Capital outlay	-	-	7,200	8,769	-	9,757	-	13,461	125,381
Debt service:									
Principal	-	-	-	-	-	-	-	-	26,749
Interest	-	-	-	-	-	-	-	-	4,420
Total expenditures	227,685	99,255	17,816	281,696	28,776	161,496	564	51,565	2,796,525
Excess (deficiency) of revenues over expenditures	(146,251)	(98,637)	(16,377)	142,200	107,945	(125,672)	(564)	(33,938)	(320,911)
Other Financing Sources (Uses):									
Transfers in	116,200	96,042	-	-	53,764	151,000	-	-	1,284,713
Transfers (out)	-	-	(160)	(142,200)	(119,555)	-	-	-	(445,737)
Total other financing sources (uses)	116,200	96,042	(160)	(142,200)	(65,791)	151,000	-	-	838,976
Net change in fund balances	(30,051)	(2,595)	(16,537)	-	42,154	25,328	(564)	(33,938)	518,065
Fund balances, beginning of year	24,351	2,578	20,910	161,598	8,736	(16,457)	564	349,740	1,535,258
Restatements	-	-	-	-	-	-	-	-	52
Fund balance, beginning of year restated	24,351	2,578	20,910	161,598	8,736	(16,457)	564	349,740	1,535,310
Fund balances, end of year	<u>\$ (5,700)</u>	<u>\$ (17)</u>	<u>\$ 4,373</u>	<u>\$ 161,598</u>	<u>\$ 50,890</u>	<u>\$ 8,871</u>	<u>\$ -</u>	<u>\$ 315,802</u>	<u>\$ 2,053,375</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Capital Project Funds							
	CDBG 2008/2009 Fund	Park Acquisition Fund	Landfill Capital Project Fund	Voiers Park Fund	Peru Mills Cleanup Project Fund	Wastewater Plant Fund	Total Capital Project Funds	Total Non-Major Funds
Revenues:								
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 396,368
State shared taxes	-	-	-	-	-	-	-	458,517
Intergovernmental	415,093	-	1,244,210	-	-	-	1,659,303	3,001,942
Charges for services	-	-	-	-	-	-	-	190,924
Fines and forfeitures	-	-	-	-	-	-	-	13,583
Interest	-	215	4,553	-	-	-	4,768	39,657
Miscellaneous	-	-	-	-	-	175,000	175,000	213,694
Total revenues	415,093	215	1,248,763	-	-	175,000	1,839,071	4,314,685
Expenditures:								
Liabilities:								
General government	-	-	-	-	-	-	-	110,611
Public safety	-	-	-	-	-	-	-	81,749
Public works	-	-	-	-	-	-	-	572,649
Culture and recreation	-	-	-	-	-	-	-	1,489,850
Health and welfare	-	-	-	-	-	-	-	372,182
Economic development	-	-	-	-	-	-	-	12,934
Capital outlay	363,860	25,097	1,174,682	-	-	-	1,563,639	1,689,020
Debt service:								
Principal	-	-	-	-	-	-	-	26,749
Interest	-	-	-	-	-	-	-	4,420
Total expenditures	363,860	25,097	1,174,682	-	-	-	1,563,639	4,360,164
Excess (deficiency) of revenues over expenditures	51,233	(24,882)	74,081	-	-	175,000	275,432	(45,479)
Other Financing Sources (Uses):								
Transfers in	141,000	-	-	-	-	-	141,000	1,425,713
Transfers (out)	-	-	-	-	-	(309,781)	(309,781)	(755,518)
Total other financing sources (uses)	141,000	-	-	-	-	(309,781)	(168,781)	670,195
Net change in fund balances	192,233	(24,882)	74,081	-	-	(134,781)	106,651	624,716
Fund balances, beginning of year	-	33,644	666,133	40,000	(993)	335,774	1,074,558	2,609,816
Restatements	-	-	-	-	-	-	-	52
Fund balance, beginning of year restated	-	33,644	666,133	40,000	(993)	335,774	1,074,558	2,609,868
Fund balances, end of year	\$ 192,233	\$ 8,762	\$ 740,214	\$ 40,000	\$ (993)	\$ 200,993	\$ 1,181,209	\$ 3,234,584

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 57,338	\$ 57,338	\$ 55,932	\$ (1,406)
Interest	-	-	146	146
Total revenues	57,338	57,338	56,078	(1,260)
Expenditures:				
Current:				
Health and welfare	24,500	24,500	18,625	5,875
Capital outlay	41,223	41,223	49,723	(8,500)
Total expenditures	65,723	65,723	68,348	(2,625)
Excess (deficiency) of revenues over expenditures	(8,385)	(8,385)	(12,270)	(3,885)
Other Financing Sources (Uses):				
Transfer in	3,885	-	3,885	3,885
Net change in cash balance	(4,500)	(8,385)	(8,385)	-
Cash balance, beginning of year	8,385	8,385	8,385	-
Cash balance, end of year	\$ 3,885	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 84,279	\$ 84,279	\$ 91,990	\$ 7,711
Interest	-	-	630	630
Total revenues	84,279	84,279	92,620	8,341
Expenditures:				
Current:				
Public safety	45,000	45,000	12,990	32,010
Capital outlay	46,641	46,641	-	46,641
Debt service:				
Principal	26,749	26,749	26,749	-
Interest	2,901	2,901	2,477	424
Total expenditures	121,291	121,291	42,216	79,075
Net change in cash balance	(37,012)	(37,012)	50,404	87,416
Cash balance, beginning of year	37,012	37,012	37,012	-
Cash balance, end of year	\$ -	\$ -	\$ 87,416	\$ 87,416

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 39,200	\$ 39,200	\$ 39,200	\$ -
Interest	-	-	208	208
Total revenues	39,200	39,200	39,408	208
Expenditures:				
Current:				
Public safety	46,350	46,350	44,550	1,800
Net change in cash balance	(7,150)	(7,150)	(5,142)	2,008
Cash balance, beginning of year	7,150	7,150	7,150	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,008</u>	<u>\$ 2,008</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 47,000	\$ 47,000	\$ 47,972	\$ 972
Fines and forfeitures	12,000	12,000	13,583	1,583
Interest	1,200	1,200	1,186	(14)
Miscellaneous	12,500	12,500	362	(12,138)
Total revenues	72,700	72,700	63,103	(9,597)
Expenditures:				
Current:				
Culture and recreation	408,836	408,836	367,830	41,006
Capital outlay	13,000	13,000	12,571	429
Total expenditures	421,836	421,836	380,401	41,435
Excess (deficiency) of revenues over expenditures	(349,136)	(349,136)	(317,298)	31,838
Other Financing Sources (Uses):				
Transfer in	350,000	350,000	300,000	(50,000)
Net change in cash balance	864	864	(17,298)	(18,162)
Cash balance, beginning of year	87,562	87,562	87,562	-
Reclassifications	(8,081)	(8,081)	(8,081)	-
Cash balance, end of year	<u>\$ 80,345</u>	<u>\$ 80,345</u>	<u>\$ 62,183</u>	<u>\$ (18,162)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LODGER'S TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 400,000	\$ 400,000	\$ 363,595	\$ (36,405)
Intergovernmental	4,000	4,000	4,049	49
Interest	10,000	10,000	9,647	(353)
	<u>414,000</u>	<u>414,000</u>	<u>377,291</u>	<u>(36,709)</u>
Total revenues	414,000	414,000	377,291	(36,709)
Expenditures:				
Current:				
Culture and recreation	169,350	169,350	118,133	51,217
Capital outlay	65,000	65,000	-	65,000
	<u>234,350</u>	<u>234,350</u>	<u>118,133</u>	<u>116,217</u>
Total expenditures	234,350	234,350	118,133	116,217
Excess (deficiency) of revenues over expenditures	179,650	179,650	259,158	79,508
Other Financing Sources (Uses):				
Transfer (out)	(202,000)	(202,000)	(183,822)	18,178
	<u>(202,000)</u>	<u>(202,000)</u>	<u>(183,822)</u>	<u>18,178</u>
Net change in cash balance	(22,350)	(22,350)	75,336	97,686
Cash balance, beginning of year	107,689	107,689	107,689	-
Reclassifications	-	-	99,984	99,984
	<u>-</u>	<u>-</u>	<u>99,984</u>	<u>99,984</u>
Cash balance, end of year	<u>\$ 85,339</u>	<u>\$ 85,339</u>	<u>\$ 283,009</u>	<u>\$ 197,670</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
 LODGER'S TAX PROMOTIONAL SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 7,500	\$ 7,500	\$ 5,000	\$ (2,500)
Interest	5,000	5,000	6,491	1,491
Total revenues	12,500	12,500	11,491	(1,009)
Expenditures:				
Current:				
Culture and recreation	343,500	343,500	237,587	105,913
Excess (deficiency) of revenues over expenditures	(331,000)	(331,000)	(226,096)	104,904
Other Financing Sources (Uses):				
Transfer in	202,000	202,000	183,822	(18,178)
Net change in cash balance	(129,000)	(129,000)	(42,274)	86,726
Cash balance, beginning of year	293,252	293,252	293,252	-
Reclassifications	-	-	(955)	(955)
Cash balance, end of year	<u>\$ 164,252</u>	<u>\$ 164,252</u>	<u>\$ 250,023</u>	<u>\$ 85,771</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STREET SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 415,000	\$ 415,000	\$ 450,356	\$ 35,356
Intergovernmental	-	-	12,574	12,574
Charges for services	5,000	5,000	2,883	(2,117)
Interest	3,500	3,500	477	(3,023)
Total revenues	423,500	423,500	466,290	42,790
Expenditures:				
Current:				
Public works	591,634	591,634	517,996	73,638
Excess (deficiency) of revenues over expenditures	(168,134)	(168,134)	(51,706)	116,428
Other Financing Sources (Uses):				
Transfer in	200,000	200,000	20,000	(180,000)
Net change in cash balance	31,866	31,866	(31,706)	(63,572)
Cash balance, beginning of year	85,957	85,957	85,957	-
Cash balance, end of year	<u>\$ 117,823</u>	<u>\$ 117,823</u>	<u>\$ 54,251</u>	<u>\$ (63,572)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
State shared taxes	\$ 10,000	\$ 10,000	\$ 10,571	\$ 571
Intergovernmental	287,000	287,000	33,000	(254,000)
Interest	2,000	2,000	1,916	(84)
Miscellaneous	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Total revenues	299,000	299,000	60,487	(238,513)
Expenditures:				
Current:				
Culture and recreation	473,940	473,940	358,659	115,281
Capital outlay	<u>498,000</u>	<u>498,000</u>	<u>44,786</u>	<u>453,214</u>
Total expenditures	<u>971,940</u>	<u>971,940</u>	<u>403,445</u>	<u>568,495</u>
Excess (deficiency) of revenues over expenditures	(672,940)	(672,940)	(342,958)	329,982
Other Financing Sources (Uses):				
Transfer in	<u>630,000</u>	<u>630,000</u>	<u>340,000</u>	<u>(290,000)</u>
Net change in cash balance	(42,940)	(42,940)	(2,958)	39,982
Cash balance, beginning of year	82,775	82,775	82,775	-
Reclassifications	<u>-</u>	<u>-</u>	<u>(99)</u>	<u>(99)</u>
Cash balance, end of year	<u>\$ 39,835</u>	<u>\$ 39,835</u>	<u>\$ 79,718</u>	<u>\$ 39,883</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 645,400	\$ 645,400	\$ 500,000	\$ (145,400)
Interest	150	150	109	(41)
Total revenues	645,550	645,550	500,109	(145,441)
Expenditures:				
Current:				
Economic development	224,050	724,050	511,262	212,788
Excess (deficiency) of revenues over expenditures	421,500	(78,500)	(11,153)	67,347
Other Financing Sources (Uses):				
Transfer in	75,000	75,000	20,000	(55,000)
Net change in cash balance	496,500	(3,500)	8,847	12,347
Cash balance, beginning of year	7,138	7,138	7,138	-
Reclassifications	-	-	20	20
Cash balance, end of year	<u>\$ 503,638</u>	<u>\$ 3,638</u>	<u>\$ 16,005</u>	<u>\$ 12,367</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SPECIAL EVENTS CENTER SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 69,000	\$ 69,000	\$ 76,167	\$ 7,167
Interest	300	300	304	4
Total revenues	69,300	69,300	76,471	7,171
Expenditures:				
Current:				
Culture and recreation	106,000	106,000	74,789	31,211
Excess (deficiency) of revenues over expenditures	(36,700)	(36,700)	1,682	38,382
Other Financing Sources (Uses):				
Transfer in	20,000	20,000	-	(20,000)
Net change in cash balance	(16,700)	(16,700)	1,682	18,382
Cash balance, beginning of year	47,568	47,568	47,568	-
Reclassifications	-	-	(20)	(20)
Cash balance, end of year	<u>\$ 30,868</u>	<u>\$ 30,868</u>	<u>\$ 49,230</u>	<u>\$ 18,362</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMMUNITY CENTER SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 62,200	\$ 62,200	\$ 74,980	\$ 12,780
Interest	1,400	1,400	273	(1,127)
Miscellaneous	4,500	4,500	6,181	1,681
Total revenues	68,100	68,100	81,434	13,334
Expenditures:				
Current:				
Culture and recreation	238,130	223,930	201,405	22,525
Capital outlay	-	14,200	-	14,200
Total expenditures	238,130	238,130	201,405	36,725
Excess (deficiency) of revenues over expenditures	(170,030)	(170,030)	(119,971)	50,059
Other Financing Sources (Uses):				
Transfer in	130,000	130,000	116,200	(13,800)
Net change in cash balance	(40,030)	(40,030)	(3,771)	36,259
Cash balance, beginning of year	30,562	30,562	30,562	-
Cash advanced from general fund	9,468	9,468	-	(9,468)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,791</u>	<u>\$ 26,791</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
 BOOT CAMP SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 560	\$ 560
Interest	-	-	58	58
Total revenues	-	-	618	618
Expenditures:				
Current:				
Health and welfare	129,998	129,998	102,619	27,379
Capital outlay	25,000	25,000	-	25,000
Total expenditures	154,998	154,998	102,619	52,379
Excess (deficiency) of revenues over expenditures	(154,998)	(154,998)	(102,001)	52,997
Other Financing Sources (Uses):				
Transfer in	160,000	160,000	96,042	(63,958)
Net change in cash balance	5,002	5,002	(5,959)	(10,961)
Cash balance, beginning of year	5,959	5,959	5,959	-
Cash balance, end of year	<u>\$ 10,961</u>	<u>\$ 10,961</u>	<u>\$ -</u>	<u>\$ (10,961)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
TRAFFIC SAFETY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 1,304	\$ (8,696)
Interest	400	400	135	(265)
Total revenues	10,400	10,400	1,439	(8,961)
 Expenditures:				
Current:				
Public safety	24,000	24,000	17,976	6,024
Excess (deficiency) of revenues over expenditures	(13,600)	(13,600)	(16,537)	(2,937)
Other Financing Sources (Uses):				
Transfer (out)	-	-	(160)	(160)
Net change in cash balance	(13,600)	(13,600)	(16,697)	(3,097)
Cash balance, beginning of year	20,750	20,750	20,750	-
Reclassification	-	-	320	320
Cash balance, end of year	<u>\$ 7,150</u>	<u>\$ 7,150</u>	<u>\$ 4,373</u>	<u>\$ (2,777)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
MIMBRES VALLEY AUTHORITY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 123,000	\$ 123,000	\$ 123,152	\$ 152
Expenditures:				
Current:				
Health and welfare	489,449	377,470	273,266	104,204
Capital outlay	<u>8,769</u>	<u>8,000</u>	<u>8,769</u>	<u>(769)</u>
Total expenditures	<u>498,218</u>	<u>385,470</u>	<u>282,035</u>	<u>103,435</u>
Excess (deficiency) of revenues over expenditures	(375,218)	(262,470)	(158,883)	103,587
Other Financing Sources (Uses):				
Transfer (out)	<u>-</u>	<u>-</u>	<u>(142,200)</u>	<u>(142,200)</u>
Net change in cash balance	(375,218)	(262,470)	(301,083)	(38,613)
Cash balance, beginning of year	<u>474,498</u>	<u>474,498</u>	<u>474,498</u>	<u>-</u>
Cash balance, end of year	<u>\$ 99,280</u>	<u>\$ 212,028</u>	<u>\$ 173,415</u>	<u>\$ (38,613)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
REGIONAL TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 91,719	\$ 91,719	\$ 127,985	\$ 36,266
Miscellaneous	-	-	8,736	8,736
Total revenues	91,719	91,719	136,721	45,002
Expenditures:				
Current:				
Public works	99,931	156,986	28,776	128,210
Excess (deficiency) of revenues over expenditures	(8,212)	(65,267)	107,945	173,212
Other Financing Sources (Uses):				
Transfer in	-	-	53,764	53,764
Transfer (out)	(57,055)	-	(119,555)	(119,555)
Total other financing sources (uses)	(57,055)	-	(65,791)	(65,791)
Net change in cash balance	(65,267)	(65,267)	42,154	107,421
Cash balance, beginning of year	-	-	-	-
Reclassifications	-	-	8,736	8,736
Cash balance, end of year	<u>\$ (65,267)</u>	<u>\$ (65,267)</u>	<u>\$ 50,890</u>	<u>\$ 116,157</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SWIMMING POOL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Charges for services	\$ 34,000	\$ 34,000	\$ 36,559	\$ 2,559
Interest	-	-	101	101
Miscellaneous	-	-	133	133
Total revenues	34,000	34,000	36,793	2,793
Expenditures:				
Current:				
Culture and recreation	135,972	137,934	139,055	(1,121)
Capital outlay	9,000	28,325	28,325	-
Total expenditures	144,972	166,259	167,380	(1,121)
Excess (deficiency) of revenues over expenditures	(110,972)	(132,259)	(130,587)	1,672
Other Financing Sources (Uses):				
Transfer in	120,000	90,000	151,000	61,000
Net change in cash balance	9,028	(42,259)	20,413	62,672
Cash balance, beginning of year	6,442	6,442	6,442	-
Cash balance, end of year	<u>\$ 15,470</u>	<u>\$ (35,817)</u>	<u>\$ 26,855</u>	<u>\$ 62,672</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LIBRARY TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Expenditures:				
Current:				
Culture and recreation	<u>\$ 564</u>	<u>\$ 564</u>	<u>\$ 564</u>	<u>\$ -</u>
Net change in cash balance	(564)	(564)	(564)	-
Cash balance, beginning of year	<u>564</u>	<u>564</u>	<u>564</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CEMETERY TRUST SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Interest	\$ 10,000	\$ 10,000	\$ 8,195	\$ (1,805)
Miscellaneous	9,000	9,000	7,722	(1,278)
Total revenues	19,000	19,000	15,917	(3,083)
Expenditures:				
Current:				
General government	59,068	55,868	46,897	8,971
Capital outlay	31,800	35,000	4,299	30,701
Total expenditures	90,868	90,868	51,196	39,672
Net change in cash balance	(71,868)	(71,868)	(35,279)	36,589
Cash balance, beginning of year	149,448	149,448	149,448	-
Reclassifications	-	-	198,819	198,819
Cash balance, end of year	<u>\$ 77,580</u>	<u>\$ 77,580</u>	<u>\$ 312,988</u>	<u>\$ 235,408</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Emergency Medical Services Fund	Fire Fund	Law Enforcement Protection Fund	Library Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 56,078	\$ 92,620	\$ 39,408	\$ 63,103
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	544	-	(58)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 56,078</u>	<u>\$ 93,164</u>	<u>\$ 39,408</u>	<u>\$ 63,045</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 68,348	\$ 42,216	\$ 44,550	\$ 380,401
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(8,795)	(2,585)	(24)	(1,443)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	-	-	2,202
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 59,553</u>	<u>\$ 39,631</u>	<u>\$ 44,526</u>	<u>\$ 381,160</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 3,885	\$ -	\$ -	\$ 300,000
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 3,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Lodger's Tax Fund</u>	<u>Lodger's Tax Promotional Fund</u>	<u>Street Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 377,291	\$ 11,491	\$ 466,290
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>32,071</u>	<u>(411)</u>	<u>(1,847)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 409,362</u>	<u>\$ 11,080</u>	<u>\$ 464,443</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 118,133	\$ 237,587	\$ 517,996
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	506	15,482	25,639
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>238</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 118,639</u>	<u>\$ 253,069</u>	<u>\$ 543,873</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (183,822)	\$ 183,822	\$ 20,000
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and balances - special revenue funds	<u>\$ (183,822)</u>	<u>\$ 183,822</u>	<u>\$ 20,000</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Recreation Fund</u>	<u>Economic Development Fund</u>	<u>Special Events Center Fund</u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 60,487	\$ 500,109	\$ 76,471
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>4,408</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 64,895</u>	<u>\$ 500,109</u>	<u>\$ 76,471</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 403,445	\$ 511,262	\$ 74,789
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(3,658)	1,672	(2,282)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	1,993	-	-
The City budgeted for an economic development loan to a local business during the current accounting period. The payment of loan proceeds is not considered expenditures, rather a note receivable, for financial reporting purposes.	<u>-</u>	<u>(500,000)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 401,780</u>	<u>\$ 12,934</u>	<u>\$ 72,507</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 340,000	\$ 20,000	\$ -
Differences - Budget to GAAP:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and balances - special revenue funds	<u>\$ 340,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Community Center Fund	Boot Camp Fund	Traffic Safety Fund	Mimbres Valley Authority Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 81,434	\$ 618	\$ 1,439	\$ 123,152
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	-	-	300,744
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 81,434</u>	<u>\$ 618</u>	<u>\$ 1,439</u>	<u>\$ 423,896</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 201,405	\$ 102,619	\$ 17,976	\$ 282,035
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	23,966	(3,364)	(160)	(1,281)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	2,314	-	-	942
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds.	<u>\$ 227,685</u>	<u>\$ 99,255</u>	<u>\$ 17,816</u>	<u>\$ 281,696</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 116,200	\$ 96,042	\$ (160)	\$ (142,200)
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures and balances - special revenue funds	<u>\$ 116,200</u>	<u>\$ 96,042</u>	<u>\$ (160)</u>	<u>\$ (142,200)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Regional Transportation Fund	Swimming Pool Fund	Library Trust Fund	Cemetery Trust Fund
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available to appropriation" from the budgetary comparison statement.	\$ 136,721	\$ 36,793	\$ -	\$ 15,917
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	-	(969)	-	1,946
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 136,721</u>	<u>\$ 35,824</u>	<u>\$ -</u>	<u>\$ 17,863</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 28,776	\$ 167,380	\$ 564	\$ 51,196
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	(12,381)	-	(269)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	6,497	-	638
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ 28,776</u>	<u>\$ 161,496</u>	<u>\$ 564</u>	<u>\$ 51,565</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ (65,791)	\$ 151,000	\$ -	\$ -
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - special revenue funds	<u>\$ (65,791)</u>	<u>\$ 151,000</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CDBG 2008/2009 CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 450,000	\$ 450,000	\$ -	\$ (450,000)
Expenditures:				
Capital outlay	<u>715,218</u>	<u>715,218</u>	<u>100,899</u>	<u>614,319</u>
Excess (deficiency) of revenues over expenditures	(265,218)	(265,218)	(100,899)	164,319
Other Financing Sources (Uses):				
Transfer in	<u>265,218</u>	<u>265,218</u>	<u>141,000</u>	<u>(124,218)</u>
Net change in cash balance	-	-	40,101	40,101
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,101</u>	<u>\$ 40,101</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
PARK ACQUISITION CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 215	\$ 215
Expenditures:				
Capital outlay	<u>-</u>	<u>25,097</u>	<u>25,097</u>	<u>-</u>
Net change in cash balance	-	(25,097)	(24,882)	215
Cash balance, beginning of year	<u>33,644</u>	<u>33,644</u>	<u>33,644</u>	<u>-</u>
Cash balance, end of year	<u>\$ 33,644</u>	<u>\$ 8,547</u>	<u>\$ 8,762</u>	<u>\$ 215</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
LANDFILL CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 1,774,640	\$ 1,774,640	\$ 1,146,210	\$ (628,430)
Interest	4,000	4,000	4,553	553
Total revenues	<u>1,778,640</u>	<u>1,778,640</u>	<u>1,150,763</u>	<u>(627,877)</u>
Expenditures:				
Capital outlay	<u>2,367,516</u>	<u>2,367,516</u>	<u>1,120,537</u>	<u>1,246,979</u>
Net change in cash balance	(588,876)	(588,876)	30,226	619,102
Cash balance, beginning of year	<u>681,630</u>	<u>681,630</u>	<u>681,630</u>	<u>-</u>
Cash balance, end of year	<u>\$ 92,754</u>	<u>\$ 92,754</u>	<u>\$ 711,856</u>	<u>\$ 619,102</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CO-OP CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 5,993,664	\$ 5,993,664	\$ 2,316,341	\$ (3,677,323)
Interest	<u>-</u>	<u>-</u>	<u>2,375</u>	<u>2,375</u>
Total revenues	5,993,664	5,993,664	2,318,716	(3,674,948)
Expenditures:				
Current:				
Capital outlay	<u>7,302,278</u>	<u>7,302,278</u>	<u>2,900,270</u>	<u>4,402,008</u>
Excess (deficiency) of revenues over expenditures	(1,308,614)	(1,308,614)	(581,554)	727,060
Other Financing Sources (Uses):				
Transfers in	<u>1,290,918</u>	<u>1,290,918</u>	<u>580,000</u>	<u>(710,918)</u>
Net change in cash balance	(17,696)	(17,696)	(1,554)	16,142
Cash balance, beginning of year	<u>17,696</u>	<u>17,696</u>	<u>17,696</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,142</u></u>	<u><u>\$ 16,142</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
WASTEWATER PLANT CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Expenditures:				
Capital outlay	<u>7,540</u>	<u>7,540</u>	<u>-</u>	<u>7,540</u>
Excess (deficiency) of revenues over expenditures	167,460	167,460	175,000	7,540
Other Financing Sources (Uses):				
Transfer out	<u>(502,241)</u>	<u>(502,241)</u>	<u>(309,781)</u>	<u>192,460</u>
Net change in cash balance	(334,781)	(334,781)	(134,781)	200,000
Cash balance, beginning of year	<u>335,774</u>	<u>335,774</u>	<u>335,774</u>	<u>-</u>
Cash balance, end of year	<u>\$ 993</u>	<u>\$ 993</u>	<u>\$ 200,993</u>	<u>\$ 200,000</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	CDBG 2008-2009 Fund	Park Acquisition Fund	Landfill Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 215	\$ 1,150,763
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>415,093</u>	<u>-</u>	<u>98,000</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 415,093</u>	<u>\$ 215</u>	<u>\$ 1,248,763</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 100,899	\$ 25,097	\$ 1,120,537
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>262,961</u>	<u>-</u>	<u>54,145</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - capital project funds.	<u>\$ 363,860</u>	<u>\$ 25,097</u>	<u>\$ 1,174,682</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 141,000	\$ -	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - capital project funds.	<u>\$ 141,000</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Co-Op Fund	Wastewater Plant Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 2,318,716	\$ 175,000
Differences - Budget to GAAP:		
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>254,813</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 2,573,529</u>	<u>\$ 175,000</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 2,900,270	\$ -
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(5,901)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 2,894,369</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison statement.	\$ 580,000	\$ (309,781)
Differences - Budget to GAAP:		
None.	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances - capital project funds.	<u>\$ 580,000</u>	<u>\$ (309,781)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2009

	Cemetery Enterprise Fund
Assets:	
Current assets:	
Cash	\$ 118,195
Investments	6,575
Accounts receivable	11,605
Non-Current assets:	
Land	180,000
Buildings	43,860
Equipment	109,491
Less accumulated depreciation	(150,082)
Total capital assets, net	183,269
Total assets	319,644
Liabilities:	
Current liabilities:	
Accounts payable	726
Net assets:	
Invested in capital assets	183,269
Unrestricted	135,649
Total net assets	\$ 318,918

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Cemetery Enterprise Fund
Operating Revenues:	
Charges for services	\$ 30,914
Operating Expenses:	
General operating	25,157
Depreciation	2,710
Total operating expenses	27,867
Operating income	3,047
Non-Operating Revenues (Expenses):	
Interest income	1,340
Disposal of assets	351
Total non-operating revenues (expenses)	1,691
Change in net assets	4,738
Net assets, beginning of year	371,679
Restatements	(57,499)
Net assets, beginning of year, restated	314,180
Net assets, end of year	\$ 318,918

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Cemetery Enterprise Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 40,661
Cash payments to suppliers for goods and services	(30,900)
Net cash provided by operating activities	9,761
Cash Flows (Used) by Capital Financing Activities:	
Proceeds from the sale of assets	351
Cash Flows From Investing Activities:	
Interest income	1,388
Net increase in cash	11,500
Cash and cash equivalents, beginning of year	113,270
Reclassification of cash as investments	(22,075)
Cash and cash equivalents, beginning of year, restated	91,195
Cash and cash equivalents, end of year	\$ 102,695
Displayed as:	
Cash	\$ 118,195
Time deposits not considered cash equivalents	(15,500)
	\$ 102,695
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	\$ 3,047
Adjustment to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	2,710
Change in Assets and Liabilities:	
Decrease in accounts receivable	9,747
(Decrease) in accounts payable	(5,743)
Total adjustments	6,714
Net cash provided by operating activities	\$ 9,761

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
GAS ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 4,571,000	\$ 4,571,000	\$ 4,011,152	\$ (559,848)
Operating Expenses:				
Personnel services	858,678	858,678	826,510	32,168
General operating	3,895,750	3,895,750	2,568,741	1,327,009
Capital outlay	90,000	90,000	65,240	24,760
Total operating expenses	<u>4,844,428</u>	<u>4,844,428</u>	<u>3,460,491</u>	<u>1,383,937</u>
Operating income (loss)	(273,428)	(273,428)	550,661	824,089
Non-Operating Revenues (Expenses):				
Intergovernmental	-	-	7,954	7,954
Miscellaneous	41,000	41,000	2,111	(38,889)
Interest income	25,000	25,000	60,253	35,253
Total non-operating revenues (expenses)	<u>66,000</u>	<u>66,000</u>	<u>70,318</u>	<u>4,318</u>
Income before other financing sources (uses)	(207,428)	(207,428)	620,979	828,407
Other Financing Sources (Uses):				
Transfer in	-	-	62,500	62,500
Transfer (out)	-	-	(39,870)	(39,870)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,630</u>	<u>22,630</u>
Net change in cash balance	(207,428)	(207,428)	643,609	851,037
Cash balance, beginning of year	2,495,818	2,495,818	2,495,818	-
Reclassifications	-	-	(854,931)	(854,931)
Cash balance, end of year	<u>\$ 2,288,390</u>	<u>\$ 2,288,390</u>	<u>\$ 2,284,496</u>	<u>\$ (3,894)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 755,000	\$ 755,000	\$ 729,834	\$ (25,166)
Operating Expenses:				
Personnel services	538,557	538,557	466,651	71,906
General operating	612,538	619,538	367,666	251,872
Capital outlay	809,609	802,609	289,782	512,827
Total operating expenses	<u>1,960,704</u>	<u>1,960,704</u>	<u>1,124,099</u>	<u>836,605</u>
Operating income (loss)	(1,205,704)	(1,205,704)	(394,265)	811,439
Non-Operating Revenues (Expenses):				
Intergovernmental	460,005	460,005	938,567	478,562
Miscellaneous	40,000	40,000	16,914	(23,086)
Interest income	9,400	9,400	10,854	1,454
Gain on sale of assets	-	-	3,840	3,840
Interest expense	(80,184)	(80,184)	(80,184)	-
Retirement of debt	(74,057)	(74,057)	(74,057)	-
Total non-operating revenues (expenses)	<u>355,164</u>	<u>355,164</u>	<u>815,934</u>	<u>460,770</u>
Income (loss) before other financing sources (uses)	(850,540)	(850,540)	421,669	1,272,209
Other Financing Sources (Uses):				
Transfer in	502,241	502,241	309,781	(192,460)
Loan proceeds	853,437	853,437	260,982	(592,455)
Total other financing sources (uses)	<u>1,355,678</u>	<u>1,355,678</u>	<u>570,763</u>	<u>(784,915)</u>
Net change in cash balance	505,138	505,138	992,432	487,294
Cash balance, beginning of year	144,421	144,421	144,421	-
Reclassifications	-	-	584	584
Cash balance, end of year	<u>\$ 649,559</u>	<u>\$ 649,559</u>	<u>\$ 1,137,437</u>	<u>\$ 487,878</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SOLID WASTE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 1,020,000	\$ 1,020,000	\$ 867,682	\$ (152,318)
Operating Expenses:				
Personnel services	686,394	686,394	667,839	18,555
General operating	454,500	564,500	543,938	20,562
Capital outlay	110,000	-	-	-
Total operating expenses	<u>1,250,894</u>	<u>1,250,894</u>	<u>1,211,777</u>	<u>39,117</u>
Operating (loss)	(230,894)	(230,894)	(344,095)	(113,201)
Non-Operating Revenues (Expenses):				
Intergovernmental	125,000	125,000	125,000	-
Miscellaneous	15,000	15,000	2,711	(12,289)
Interest income	18,000	18,000	9,210	(8,790)
Total non-operating revenues (expenses)	<u>158,000</u>	<u>158,000</u>	<u>136,921</u>	<u>(21,079)</u>
Net change in cash balance	(72,894)	(72,894)	(207,174)	(134,280)
Cash balance, beginning of year	720,435	720,435	720,435	-
Reclassifications	-	-	11	11
Cash balance, end of year	<u>\$ 647,541</u>	<u>\$ 647,541</u>	<u>\$ 513,272</u>	<u>\$ (134,269)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 1,930,000	\$ 1,930,000	\$ 1,573,210	\$ (356,790)
Operating Expenses:				
Personnel services	1,077,879	1,077,879	851,105	226,774
General operating	713,295	713,295	624,083	89,212
Capital outlay	3,273,310	3,273,310	3,008,954	264,356
Total operating expenses	5,064,484	5,064,484	4,484,142	580,342
Operating (loss)	(3,134,484)	(3,134,484)	(2,910,932)	223,552
Non-Operating Revenues (Expenses):				
Intergovernmental	1,421,346	1,421,346	1,956,872	535,526
Miscellaneous	62,500	62,500	26,970	(35,530)
Interest income	12,000	12,000	26,675	14,675
Retirement of debt	(847,896)	(847,896)	(84,796)	763,100
Interest expense	(75,335)	(75,335)	(75,334)	1
Total non-operating revenues (expenses)	572,615	572,615	1,850,387	1,277,772
Income (loss) before other financing sources (uses)	(2,561,869)	(2,561,869)	(1,060,545)	1,501,324
Other Financing Sources (Uses):				
Transfer (out)	(145,470)	(145,470)	(145,470)	-
Loan proceeds	1,023,652	1,023,652	1,603,598	579,946
Total other financing sources (uses)	878,182	878,182	1,458,128	579,946
Net change in cash balance	(1,683,687)	(1,683,687)	397,583	2,081,270
Cash balance, beginning of year	893,504	893,504	893,504	-
Reclassifications	-	-	(5,737)	(5,737)
Cash balance, end of year	\$ (790,183)	\$ (790,183)	\$ 1,285,350	\$ 2,075,533

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
AIRPORT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 42,750	\$ 42,750	\$ 61,614	\$ 18,864
Operating Expenses:				
Personnel services	90,486	90,486	82,668	7,818
General operating	521,460	521,460	131,750	389,710
Capital outlay	1,286,858	1,286,858	136,090	1,150,768
Total operating expenses	<u>1,898,804</u>	<u>1,898,804</u>	<u>350,508</u>	<u>1,548,296</u>
Operating income (loss)	(1,856,054)	(1,856,054)	(288,894)	1,567,160
Non-Operating Revenues (Expenses):				
Intergovernmental	1,695,756	1,695,756	460,130	(1,235,626)
Interest income	3,000	3,000	2,518	(482)
Total non-operating revenues (expenses)	<u>1,698,756</u>	<u>1,698,756</u>	<u>462,648</u>	<u>(1,236,108)</u>
Income (loss) before other financing sources (uses)	(157,298)	(157,298)	173,754	331,052
Other Financing Sources (Uses):				
Transfer in	75,000	75,000	-	(75,000)
Transfer (out)	-	-	(350,396)	(350,396)
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>(350,396)</u>	<u>(425,396)</u>
Net change in cash balance	(82,298)	(82,298)	(176,642)	(94,344)
Cash balance, beginning of year	247,351	247,351	247,351	-
Reclassifications	-	-	(848)	(848)
Cash balance, end of year	<u>\$ 165,053</u>	<u>\$ 165,053</u>	<u>\$ 69,861</u>	<u>\$ (95,192)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
CEMETERY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 45,100	\$ 45,100	\$ 40,661	\$ (4,439)
Operating Expenses:				
General operating	<u>57,100</u>	<u>57,100</u>	<u>30,900</u>	<u>26,200</u>
Operating income (loss)	(12,000)	(12,000)	9,761	21,761
Non-Operating Revenues (Expenses):				
Interest income	2,000	2,000	1,388	(612)
Gain on sale of assets	<u>-</u>	<u>-</u>	<u>351</u>	<u>351</u>
Total non-operating revenues (expenses)	<u>2,000</u>	<u>2,000</u>	<u>1,739</u>	<u>(261)</u>
Net change in cash balance	(10,000)	(10,000)	11,500	21,500
Cash balance, beginning of year	113,271	113,720	113,270	-
Reclassifications	<u>-</u>	<u>-</u>	<u>(6,575)</u>	<u>(6,575)</u>
Cash balance, end of year	<u><u>\$ 103,271</u></u>	<u><u>\$ 103,720</u></u>	<u><u>\$ 118,195</u></u>	<u><u>\$ 14,925</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 4,011,152	\$ 729,834	\$ 867,682
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	(7,852)	44,504	96,034
Accrual of customer deposit revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>101,798</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 4,105,098</u>	<u>\$ 774,338</u>	<u>\$ 963,716</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 3,460,491	\$ 1,124,099	\$ 1,211,777
Differences - Budget to GAAP:			
Changes in the consumable inventories are not accounted for within the budgetary basis. The decrease in inventories decreases the operating expenses for financial reporting purposes.	(6,223)	(1,148)	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(6,559)	8,886	(28,249)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	37,800	17,066	(14,436)
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(65,240)	(289,782)	-
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	170,917	239,513	102,461
The City budgets on going landfill post closure expenses as a current year expenditure. For financial reporting purposes, the City has recognized the projected liability as the landfill was operating.	<u>-</u>	<u>-</u>	<u>79,865</u>
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 3,591,186</u>	<u>\$ 1,098,634</u>	<u>\$ 1,351,418</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Gas Fund	Sewer Fund	Solid Waste Fund
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 70,318	\$ 970,175	\$ 136,921
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	14,483	(665)	(211)
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ 84,801	\$ 969,510	\$ 136,710
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ -	\$ (154,241)	\$ -
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes the payment of debt is reflected as a reduction of a liability.	-	74,057	-
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest payable is not included in the budgetary basis but are expenses for financial reporting purposes.	-	3,337	-
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	\$ -	\$ (76,847)	\$ -

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>
Other Sources of Resources:			
Actual amounts (budgetary basis) "loan proceeds" from the budgetary comparison schedule.	\$ -	\$ 260,982	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City received loan proceeds to finance construction improvements to the utility system. For budgetary purposes, the City accounts for loan proceeds as other sources. For financial reporting purposes, the loan proceeds are reflected as a long-term debt liability.	<u>-</u>	<u>(260,982)</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 62,500	\$ 309,781	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 62,500</u>	<u>\$ 309,781</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (39,870)	\$ -	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City recorded the refund of customer meter deposits within the gas fund. However, a portion of the refunds was for customer deposits recorded in the water fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	(7,892)	-	-
During the fiscal year, the City did not record the activity concerning the transfer of funds from the sewer fund due to activity in the cash accounts for the loan funds held by others on the budgetary basis. However, it is recorded for financial reporting purposes.	<u>-</u>	<u>(369,333)</u>	<u>-</u>
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (47,762)</u>	<u>\$ (369,333)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 1,573,210	\$ 61,614	\$ 40,661
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	133,582	-	(9,747)
Accrual of customer deposit revenues and associated receivables receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial reporting purposes.	<u>90,506</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 1,797,298</u>	<u>\$ 61,614</u>	<u>\$ 30,914</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 4,484,142	\$ 350,508	\$ 30,900
Differences - Budget to GAAP:			
Changes in the consumable inventories are not accounted for within the budgetary basis. The increase in inventories increases the operating expenses for financial reporting purposes.	82,214	-	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(213,403)	(77,093)	(5,743)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the the budgetary basis but are expenses for financial reporting purposes.	(14,373)	7,632	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(3,008,954)	(136,090)	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>223,718</u>	<u>46,641</u>	<u>2,710</u>
Total operating expenditures as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 1,553,344</u>	<u>\$ 191,598</u>	<u>\$ 27,867</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 2,010,517	\$ 462,648	\$ 1,739
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	<u>223,000</u>	<u>(31,694)</u>	<u>(48)</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 2,233,517</u></u>	<u><u>\$ 430,954</u></u>	<u><u>\$ 1,691</u></u>
Uses/Outflows of Non-Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (160,130)	\$ -	\$ -
Differences - Budget to GAAP:			
For budgetary purposes, the City accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes, the payment of debt is reflected as a reduction of a liability.	84,796	-	-
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest payable is not included in the budgetary basis but are expenses for financial reporting purposes.	<u>4,283</u>	<u>-</u>	<u>-</u>
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ (71,051)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
AND STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>
Other Sources of Resource:			
Actual amounts (budgetary basis) "loan proceeds" from the budgetary comparison schedule.	\$ 1,603,598	\$ -	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City received loan proceeds to finance construction improvements to the utility system. For budgetary purposes, the City accounts for loan proceeds as other sources. For financial reporting purposes, the loan proceeds are reflected as a long-term liability.	<u>(1,603,598)</u>	<u>-</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ -	\$ -	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City recorded the refund of customer meter deposits within the water fund. However, a portion of the refunds was for customer deposits recorded in the water fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	7,892	-	-
During the fiscal year, the City did not record the activity concerning the transfer of funds from the sewer fund due to activity in the cash accounts for the loan funds held by others on the budgetary basis. However, it is recorded for financial reporting purposes.	<u>369,333</u>	<u>-</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 377,225</u>	<u>\$ -</u>	<u>\$ -</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (145,470)	\$ (350,396)	\$ -
Differences - Budget to GAAP:	<u>-</u>	<u>-</u>	<u>-</u>
None.			
Total other (uses) resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (145,470)</u>	<u>\$ (350,396)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009

	Insurance Trust Revenue Fund	Insurance Trust Expense Fund	Total
Assets:			
Current assets:			
Cash	\$ -	\$ -	\$ -
Total assets	-	-	-
Liabilities:			
Current liabilities:			
Accounts payable	-	-	-
Total liabilities	-	-	-
Net Assets:			
Unrestricted	-	-	-
Total net assets	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Insurance Trust Revenue Fund	Insurance Trust Expense Fund	Total
Operating Revenues:			
Charges for services	\$ 2,447	\$ -	\$ 2,447
Operating Expenses:			
General operating	-	61,789	61,789
Operating (loss)	2,447	(61,789)	(59,342)
Non-Operating Revenues (Expenses):			
Interest income	33	-	33
Income (loss) before transfers	2,480	(61,789)	(59,309)
Transfers:			
Transfers in	33,392	61,739	95,131
Transfers (out)	(61,739)	-	(61,739)
Total transfers	(28,347)	61,739	33,392
Change in net assets	(25,867)	(50)	(25,917)
Net assets, beginning of year	25,867	50	25,917
Net assets, end of year	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Insurance Trust Revenue Fund	Insurance Trust Expense Fund	Total
Cash Flows From Operating Activities:			
Internal activity - receipts from other funds	\$ 1,156	\$ -	\$ 1,156
Cash payments to suppliers for goods and services	<u>-</u>	<u>(61,789)</u>	<u>(61,789)</u>
Net cash provided (used) by operating activities	1,156	(61,789)	(60,633)
Cash Flows for Non-Capital and Financing Activities:			
Net transfers in (out)	(28,347)	61,739	33,392
Cash Flows From Investing Activities:			
Interest income	<u>33</u>	<u>-</u>	<u>33</u>
Net (decrease) in cash	(27,158)	(50)	(27,208)
Cash and cash equivalents, beginning of year	<u>27,158</u>	<u>50</u>	<u>27,208</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 2,447	\$ (61,789)	\$ (59,342)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Change in Assets and Liabilities:			
(Decrease) due from other funds	3,263	-	3,263
(Decrease) due from other funds	<u>(4,554)</u>	<u>-</u>	<u>(4,554)</u>
Net cash (provided) used by operating activities	<u><u>\$ 1,156</u></u>	<u><u>\$ (61,789)</u></u>	<u><u>\$ (60,633)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
INSURANCE TRUST REVENUE INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ 2,447	\$ 2,447
Operating Expenses:				
General operating	-	-	-	-
Operating income	-	-	2,447	2,447
Non-Operating Revenues (Expenses):				
Interest income	-	-	33	33
Income before other financing sources (uses)	-	-	2,480	2,480
Other Financing Sources (Uses):				
Transfers in	39,056	39,056	33,392	(5,664)
Transfers out	(68,892)	(68,892)	(61,739)	7,153
Total other financing sources (uses)	(29,836)	(29,836)	(28,347)	1,489
Net change in cash balance	(29,836)	(29,836)	(25,867)	3,969
Cash balance, beginning of year	25,867	25,867	25,867	-
Cash advanced from general fund	3,969	3,969	-	(3,969)
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
INSURANCE TRUST EXPENSE INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	<u>68,892</u>	<u>68,892</u>	<u>61,789</u>	<u>7,103</u>
Operating (loss)	(68,892)	(68,892)	(61,789)	7,103
Other Financing Sources (Uses):				
Transfers in	<u>68,892</u>	<u>68,892</u>	<u>61,739</u>	<u>(7,153)</u>
Net change in cash balance	-	-	(50)	(50)
Cash balance, beginning of year	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 50</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (50)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
RECONCILIATION BUDGETARY BASIS COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Insurance Trust Revenue Fund	Insurance Trust Expense Fund
Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 2,447	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 2,447</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ -	\$ 61,789
Differences - Budget to GAAP:		
None.	-	-
Total operating expenditures as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ 61,789</u>
Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 33	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 33</u>	<u>\$ -</u>
Other Sources of Resources:		
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 33,392	\$ 61,739
Differences - Budget to GAAP:		
None.	-	-
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 33,392</u>	<u>\$ 61,739</u>
Other Uses of Resources:		
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (61,739)	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total other uses of resources as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ (61,739)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES FOR THE AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>06/30/08</u>	<u>Increase/</u> <u>Receipts</u>	<u>Decrease/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/09</u>
Local Government				
Corrections Fund				
Assets:				
Cash	\$ -	\$ 54,076	\$ 54,076	\$ -
Total assets	<u>\$ -</u>	<u>\$ 54,076</u>	<u>\$ 54,076</u>	<u>\$ -</u>
Liabilities:				
Held for others	\$ -	\$ 54,076	\$ 54,076	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 54,076</u>	<u>\$ 54,076</u>	<u>\$ -</u>
United Industries Fund				
Assets:				
Cash	\$ 6,445	\$ -	\$ -	\$ 6,445
Interest receivable	-	743	-	743
Total assets	<u>\$ 6,445</u>	<u>\$ 743</u>	<u>\$ -</u>	<u>\$ 7,188</u>
Liabilities:				
Held for others	\$ 6,445	\$ 743	\$ -	\$ 7,188
Total liabilities	<u>\$ 6,445</u>	<u>\$ 743</u>	<u>\$ -</u>	<u>\$ 7,188</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
First New Mexico Bank P.O. Box 511 Deming, New Mexico 88031-0706				
General Fund	Checking	\$ 1,716,034	\$ 978,840	\$ 2,694,874
Payroll Clearing Account	Checking	86,331	(86,331)	-
Insurance Trust Disbursements	Checking	173	(173)	-
CDBG 2008/2009	Checking	40,101	-	40,101
Judicial Bond Fund/Public Fund	Checking	6,998	-	6,998
Judge Trust Fund	Checking	22,100	820	22,920
General Fund	Savings	2,004,904	-	2,004,904
Library Fund	Savings	3,475	-	3,475
Lodger's Tax Fund	Savings	205,491	-	205,491
Lodger's Tax Promotional Fund	Savings	205,895	-	205,895
Recreation Fund	Savings	60,185	-	60,185
Gas Fund	Savings	450,601	-	450,601
Sewer Fund	Savings	200,473	-	200,473
Solid Waste Fund	Savings	225,574	-	225,574
Water Fund	Savings	728,245	-	728,245
Cemetery Fund	Savings	2,827	-	2,827
Meter Fund	Savings	58,667	-	58,667
Airport Fund	Savings	55,495	-	55,495
Cemetery Trust Fund	Savings	75,279	-	75,279
General Fund	CD	895,000	-	895,000
Gas Fund	CD	200,000	-	200,000
United Industries Fund	CD	6,445	-	6,445
		<u>\$ 7,250,293</u>	<u>\$ 893,156</u>	<u>\$ 8,143,449</u>

Chino Federal Credit Union
2290 Superior Street
Silver City, New Mexico 88061

General Fund	CD	\$ 61,409	\$ -	\$ 61,409
Library Fund	CD	19,050	-	19,050
Lodger's Tax Fund	CD	35	-	35
Lodger's Tax Promotional Fund	CD	2,250	-	2,250
Recreation Fund	CD	233	-	233
Cemetery Trust Fund	CD	555	-	555
Gas Fund	CD	56,735	-	56,735
Solid Waste Fund	CD	229	-	229
Water Fund	CD	8,334	-	8,334
Cemetery Fund	CD	15,500	-	15,500
Meter Fund	CD	74,731	-	74,731
Cemetery Fund	CD	2,000	-	2,000
		<u>\$ 241,061</u>	<u>\$ -</u>	<u>\$ 241,061</u>

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
First Savings Bank 520 S. Gold Deming, New Mexico 88030				
Utility Operating Fund	Checking	\$ 3,698,678	\$ (1,160,087)	\$ 2,538,591
Meter Deposit Fund	Checking	265,069	(209)	264,860
General Fund	CD	492,500	-	492,500
Gas Fund	CD	400,000	-	400,000
Sewer Fund	CD	50,000	-	50,000
Water Fund	CD	50,000	-	50,000
Cemetery Trust Fund	CD	200,000	-	200,000
		<u>\$ 5,156,247</u>	<u>\$ (1,160,296)</u>	<u>\$ 3,995,951</u>
Multi-Bank Securities, Inc. 24280 Woodward Avenue Pleasant Ridge, MI 48069				
General Fund	CD	\$ 101,642	\$ -	\$ 101,642
General Fund	CD	95,153	-	95,153
		<u>\$ 196,795</u>	<u>\$ -</u>	<u>\$ 196,795</u>
Wells Fargo, N.A. 223 S. Gold Deming, New Mexico 88030				
General Fund	Checking	\$ 3,993	\$ -	\$ 3,993

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

1st New Mexico Bank
P.O. Drawer 511
Deming, New Mexico 88031-0511

Security	CUSIP	Maturity	Market Value	Par Value
FHLB	3133MNVV0	05/12/12	\$ 1,105,964	\$ -
FNMA	31359MSL8	07/17/13	1,062,136	-
FHLB	3133M6VF2	12/11/13	860,639	-
FHLB	3133X9DC1	11/14/14	2,102,538	-
Dexter NM	252345CT8	08/01/09	-	50,000
Southern Sandoval	843789AX6	08/01/09	-	200,000
Dexter NM	252345CU5	08/01/10	-	50,000
Bernalillo	085279JT5	08/01/11	-	150,000
Dexter NM	252345CV3	08/01/11	-	85,000
Bernalillo	085279JU2	08/01/12	-	155,000
Catron & Cibola Counties	149321BP5	07/15/13	-	120,000
Socorro	833681AM1	08/01/13	-	100,000
Clovis	189387BM4	06/01/15	-	145,000
Bernalillo	085279LW5	08/01/16	-	450,000
Artesia	04310KAL6	08/01/17	-	500,000
Sandoval County NM	10004PCU4	12/15/17	-	345,000
Chaves County	162634BN8	08/01/18	-	500,000
Ruidoso	781338GM4	08/01/20	-	450,000
Total			<u>\$ 5,131,277</u>	<u>\$ 3,300,000</u>

The holder of the security pledged is 1st New Mexico Bank, P.O. Drawer 511, Deming, New Mexico 88031-0511.

First Savings Bank
520 S. Gold Avenue
Deming, New Mexico 88031

Security	CUSIP	Maturity	Market Value
FHLB Agency Note	3133DT84	12/11/09	\$ 2,040,580
FHR 2841 BJ	31395ES32	04/15/18	624,584
MBS FHLMC 15 Yr. Relocation	31282CA98	01/01/20	507,250
MBS FNMA 15 Yr.	31410GBG7	06/01/22	957,920
Vilas county Wis-FSA Ins.	926860DP9	09/01/14	171,778
St. Louis County MN-XLCA	79123ONE1	12/01/14	344,104
Wasatch County Utah Sch	936784EL7	06/01/15	1,044,834
Total:			<u>\$ 5,691,050</u>

The holder of the securities pledged by First Savings Bank is First National Bank Pierre, 125 W. Sioux Avenue, P.O. Box 730, Pierre, SD 57501, and U.S. Bank National Association, 800 Nicollet Mall BC-MN-H18R, Minneapolis, MN 55402.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

Wells Fargo Bank, N.A.
Deming Office
223 S. Gold Avenue
Deming, New Mexico 88030

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FNCL 889579	31410KJY1	05/01/38	<u>\$ 184,659</u>

The holder of the security pledged is Wells Fargo Bank, N.A. The bank address is, Public Funds Administration, 333 Market Street, 17th Floor, San Francisco, CA 94105.

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture				
Rural Development Empowerment Zones and Economic Communities	10.772	36-15-856000121	\$ 2,500,000	\$ 423,896
U.S. Department of Housing and Urban Development/Passed through New Mexico Department of Finance and Administration				
Community Development Block Grant	14.228	08-C-NM-I-1-G-12	450,000	363,860
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0013-011-2007	2,075,647	68,997
Airport Improvement Program	20.106	3-35-0013-011-2008	351,394	348,187
Airport Improvement Program	20.106	3-35-0013-011-2009	179,323	<u>11,366</u>
Total U.S. Department of Transportation/ Federal Aviation Administration				428,550
U.S. Environmental Protection Agency				
	66.418	W81G6992263515	2,932,500	1,306,782
U.S. Department of Homeland Security/ Federal Emergency Management Agency				
Assistance to Firefighters Grant	97.044	EMW-2008-FO-09976	27,623	<u>27,623</u>
Total Expenditures of Federal Awards				<u>\$ 2,550,711</u>

STATE OF NEW MEXICO
CITY OF DEMING
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Deming (City). The City is defined in Note 1 of the City's financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1, to the City's financial statements. All governmental expenditures of the City of Deming (primary government) are presented in accordance with the modified accrual basis of accounting.

3. NON-CASH ASSISTANCE

During the current fiscal year, the City did not expend any federal non-cash assistance. The City did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$2,550,711. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund		Capital Projects Funds	
Public safety	\$ 57,623	<u>CDBG 2008/2009 Fund</u>	
Health and welfare	46,000	Capital outlay	363,860
Capital outlay	40,000		
Special Revenue Funds		Proprietary Funds	
<u>Community Center Fund</u>		<u>Sewer Fund</u>	
Culture and recreation	26,200	Capital outlay	356,548
<u>Mimbres Valley Authority Fund</u>		<u>Water fund</u>	
Health and welfare	272,927	Capital outlay	950,234
Capital outlay	8,769		
		<u>Airport Fund</u>	
		General operating	212,131
		Capital outlay	216,419
			<u>\$ 2,550,711</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

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*

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Deming
Deming, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund, of the City of Deming, New Mexico as of and for the year ended June 30, 2009, and have issued our report thereon dated June 8, 2010. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, agency funds, internal service funds, and the respective budgetary comparison statements for the co-op fund, the major enterprise funds, and for each nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2007-02, 2007-06, 2009-01, 2009-02, and 2009-03.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that 2007-02, 2007-06, 2009-02, and 2009-03 of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items, 2007-06, 2009-03, 2009-04, 2009-05, 2009-06, 2009-09, and 2009-10.

We noted certain matters that are required to be reported under *Government Auditing Standards* and paragraph 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as items 2007-03, 2009-07, 2009-08, 2009-11, 2009-12, and 2009-13.

The City's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, others within the City, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

June 8, 2010

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Deming
Deming, New Mexico

Compliance

We have audited the compliance of City of Deming, New Mexico with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Deming's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Deming's management. Our responsibility is to express an opinion on City of Deming's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Deming's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Deming's compliance with those requirements.

In our opinion, City of Deming complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of City of Deming is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Deming's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Deming's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Councilors, management, others within the City, the New Mexico State Auditor, New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink that reads "Fierro + Fierro, P.A." in a cursive style.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

June 8, 2010

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified X Yes No
- Significant deficiency (ies) identified that are not considered to be material weaknesses X Yes None reported
- Noncompliance material to financial statements noted X Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified Yes X No
- Significant deficiency (ies) identified that are not considered to be material weaknesses Yes X None reported

Type of auditors' report issued on compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 Yes X No

Program tested as major programs include:

Program	CFDA No.
Rural Development Empowerment Zones and Economic Communities	10.772
U.S. Environmental Protection Agency	66.418

- Dollar threshold for distinguishing Types A and B programs was \$300,000.
- Auditee qualified as low-risk auditee? Yes X No

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-02 – Bank Reconciliations

Statement of Condition – Throughout the fiscal year, the City's bank reconciliation ending monthly cash balances did not tie to the ending monthly cash balances within the general ledger. Year-end bank reconciliation balances did not tie to the year-end cash balances within the general ledger.

Criteria – Sound internal controls require bank reconciliations to be done monthly for all City bank accounts. These bank reconciliations should have procedures to ensure completeness, accuracy, and integrity of the City's accounting records. The cash balance of all bank reconciliations should tie to the cash balances within the general ledger for all of the City's funds.

Effect – The City's cash balances posted in the general ledger could be misstated. The transfer of cash between bank accounts and funds were not being properly recorded. Inaccurate and incomplete cash balances for purposes of budgeting and management could cause violations of budget provisions.

Cause – Over two years ago, the City converted their accounting software program. During the current fiscal year, the City reverted back to their previous accounting software program. The City was unable to correctly apply the accounting software program concerning pooled cash, from various funds, into one checking account. The City was unable to extract the necessary information to properly complete the monthly bank reconciliations.

Recommendation – We recommend the City finance department review their bank reconciliation policies and procedures. Furthermore, we recommend the City to work with their software vendor to create or utilize the necessary reports to help the monthly bank reconciliation process.

Views of Responsible Officials and Planned Corrective Actions – In January 2006, the City converted its financial accounting system to new software. Improper set up caused a cash management failure in the system. The software company was ineffective and unresponsive to the City's needs to correct the setup. A decision was made to select a new financial system in July 2008.

Outside CPA consultants were hired to assist City staff in completing the bank reconciliations. As bank reconciliations were completed, delayed audits were filed. Fiscal year ended June 30, 2007 and June 30, 2008 audits were filed respectively in June and July 2009 as outside and inside resources were dedicated to completing bank reconciliations.

This year's fiscal bank reconciliations were completed in December 2009. The old unreliable software system affected three fiscal years and was the root cause of delayed audits. City management is now confident we can keep current with the bank reconciliations with our financial system software more reliable. The City will adopt a cash and investment policy to incorporate bank reconciliation procedures, including deadlines.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2007-03 – Cash Receipts Retention

Statement of Condition – During the course of the audit, we performed audit tests of the cash receipts records. We noted the receipts, along with the supporting documentation, maintained on a monthly basis are not consistently filed; receipts or the supporting documentation does not always identify the transaction; and reoccurring (franchise fees, lodgers taxes, etc.) transactions are not documented consistently.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – Audit testing and research of individual transactions is cumbersome. The City maintains receipts on a sheet, either stapled or taped to the page, and the pages are not readily identifiable as to the date and transactions stored on the page. Errors in classification of revenues could occur as a result of inadequate, unclear, and or incomplete documentation and procedures. Furthermore, non-compliance with New Mexico State Statutes and the Department of Finance and Administration rules could subject officials and employees to penalties and fines.

Cause – The City does not have written and approved policies and procedures concerning the retention of cash receipts for all monies received. As the supervisor of the utility billing/receipt department has changed through the years, a complete or written policies and procedures has not been given to the new staff. All policies and procedures concerning cash receipts have been verbal between the predecessor and the current supervisor.

Recommendation – We recommend that the City management expedite the establishment and maintenance of the appropriate internal controls and implement policies and procedures concerning cash receipt retention. Furthermore, the policies and procedures should be consistent for all types of receipts stored by the City.

Views of Responsible Officials and Planned Corrective Actions – Management has noted the deficiencies cited by the auditors and has modified what and how the City files supporting documentation for daily receipts. Our current auditors are in concurrence with the changes implemented. The finding for audit years 2007 and 2008 were completed in June and July of 2009. Management never had the opportunity to resolve this before the current year audit started.

Item 2007-06 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2009, was due to the New Mexico State Auditor's office by December 1, 2009. The audit report was submitted June 17, 2010.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2007-06 – Submission of Audit Report (continued)

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires that the City submit its audit report by December 1st following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – The City's audit for the fiscal year ended June 30, 2008 was not completed and submitted to the State Auditor's office until July 2009. The City was not ready for audit until December 2009. Furthermore, the City was unable provide all applicable and necessary financial information for the audit, prior to the arrival of the auditing firm.

Recommendation – We recommend the City complete all year-end adjustments to the general ledger prior to the arrival of the auditing firm. Furthermore, we recommend the City determine all receivables and payable, reconcile their capital asset subsidiary records and the schedule of expenditures of federal awards prior the arrival of the auditing firm.

Views of Responsible Officials and Planned Corrective Actions – In the last seven months, the City has filed three annual audits. A flawed financial software system affected three fiscal years including the current audit. Completed bank reconciliations were delayed and it resulted in not being fully prepared for the auditors. Management is now confident we can keep current with bank reconciliations now that a more reliable financial system is in place. The City's accounting staff will be more diligent in its responsibilities related to audit preparation.

Item 2009-01 – Stale Checks

Statement of Condition – During our review of the City's year end bank reconciliations, it was discovered the City has eighty-six old (stale) checks, totaling \$10,111, on its outstanding check register. These old (stale) checks have not been managed under the New Mexico escheat laws. The oldest check outstanding is dated March 13, 2007. Furthermore, the City failed to void \$2,746 of outstanding checks which have been outstanding greater than 180 days, as per the City's cash policy.

Criteria – Section 7-8A of the New Mexico State Statutes, *The Uniform Unclaimed Property Act (1995)*, sets forth the processes and requirements of a holder of property (City) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

The City's cash policy states all checks outstanding for greater than 180 days, from the date of issuance, shall be null and void. This information is also stated on each check issued by the City.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-01 – Stale Checks (continued)

Effect – The City is in non-compliance with New Mexico State Statutes and their policy and procedures. While these amounts are immaterial to the financial statements, monies owed to residents or former residents of the City should be paid timely or resolved in the proper manner, governed by the New Mexico escheat laws. Cash balances could be understated due to these outstanding checks. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by State statute.

Cause – Over the last two fiscal years, the City has failed to void checks on a timely basis (at least yearly), and over time the amount has grown, continues to grow, and will continue to grow until the City complies with the applicable requirements.

Recommendation – We recommend the City review their outstanding check register as of the end of the fiscal year to determine which checks meet the requirements of state statutes. Once this is determined, City staff needs to review and comply with the Uniform Unclaimed Property Act. All other outstanding checks should be voided and the City's bank reconciliations to be adjusted.

Views of Responsible Officials and Planned Corrective Actions – City management will implement process to void all outstanding checks greater than 180 days. City management intends to comply with all statutory requirements including Section 7-8A. The City's accounting staff will be instructed to review the outstanding check register in the month of June and make the appropriate adjustments to void checks in excess of 180 days. Reports will be generated to the state in November for the previous fiscal year.

Item 2009-02 – Preparation of Financial Statements and Disclosures

Statement of Condition – The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The City requires the independent auditors gather necessary information (receivables, capital assets, accounts payable, and compensated absences) in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Furthermore, we noted the following deficiencies regarding the City's accounting activity:

- The City failed to record financial activity related to debt of the City held by outside parties. In particular, the City failed to record activity at the New Mexico Finance Authority for gross receipts tax intercepts; earning of interest income; and the payment of outstanding liabilities on their records. Further, the City failed to record financial activity at the Bank of Albuquerque escrow accounts related to debt.
- At year-end, the City failed to prepare a schedule of all receivables and a complete schedule of accounts payable.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Statement on Condition (continued) –

- The City failed to reconcile its capital assets subsidiary records with the general ledger activity. This includes recording the current year additions, deletions, and transfers for each fund. Furthermore, the City failed to reconcile the prior year ending balances, by fund, with the current year beginning balances, by fund.
- The City failed to correctly record the transfer of funds between the MVA Fund and other City funds during the fiscal year. The City recorded an expense in the MVA Fund and revenue within other City funds rather than a transfer in and transfer out.
- The City failed to maintain a complete and accurate bid file for all bids requested by the City. Furthermore, the City does not have a specific individual to handle all grants received and the related capital outlay project expenses.
- The Treasurer failed to submit monthly financial reports to the City Council.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is *“The nature of the financial statements accounts, disclosures, and assertions involved.”*

SAS 112 paragraph 19 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

Section 3-37-3 NMSA 1978 states the following, *“The treasurer shall submit monthly or oftener if required by the governing board (City Council), a report of the receipts and expenditures of the municipality.”*

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Effect – Since the City personnel did not prepare the financial statements, there is an increased risk that a misstatement of the City’s financial statements, that is more than inconsequential, will not be prevented or detected. Besides the increased risk of a material misstatement, the auditor may lose independence and be unable to express an opinion on the financial statements since they prepared such statements.

City personnel failed to prepare or record key components of the financial statements, increasing the risk that a misstatement of the City’s financial statements, that is more than inconsequential, could occur and will not be prevented or detected. Further, since the City’s accounting staff lacks the knowledge or training regarding some aspects of the conditions noted, such as the reconciliation of capital assets, there is more than a remote possibility that a material misstatements of the financial statements will not be prevented or detected. Besides the increased risk of a material misstatement, the audit may lose independence and be unable to express an opinion on the financial statements since they prepared the key components of the financial statements.

Finally, by the Treasurer failing to provide monthly financial reports to the City Council, the Council could be hindered and ultimately unable to determine the financial position of the City.

Cause – The City’s staff lacks the ability, the time needed, and was unaware the requirements to prepare the financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient, however, the accounting profession (American Institute of Certified Public Accountants) by issuance of SAS 112, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

City staff has never prepared all of the key components of the financial statements that are prepared on the economic resources measurement focus (which includes the accrual basis of accounting) and the current financial resources measurement focus (which includes the modified accrual basis of accounting). The City relies upon the auditor to obtain the necessary information to prepare the financial statements.

The City does not rely upon any one individual to oversee all grants issued to the City. Bid files are not necessarily complete and accurate as various persons in various departments have various parts of the bid file(s). There was not a single complete file for any City project that was selected for testing.

The City Treasurer may have provided some financial information to Finance Committee; however, no financial activity (revenues and expenditures) were provided to all members of the City Council on a monthly basis.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Preparation of Financial Statements and Disclosures (continued)

Recommendation – We recommend the City hire qualified staff for all positions within the finance department. This would allow the Assistant Treasurer and the budget analysts, the time to prepare all the necessary reconciling items for the annual audit, prior to the arrival of the auditing firm. Alternately, the City could chose to consult with a separate accounting firm prior to and during the audit process that would assist the City in the preparation of the financial statements and the related notes.

We recommend members of the finance department (assistant treasurer, budget analysts, and accountant) should attend annual governmental accounting and auditing training seminars. These seminars will help the finance department reinforce the information they have been provided concerning their duties and responsibilities concerning the audit process. The seminars will also provide updates to governmental accounting and auditing standards.

We recommend the City hire a grant administrator or modify current job descriptions for an employee to oversee all bids requested by the City, along with the administration of each grant received by the City.

The Treasurer should provide monthly financial reports to the City Council, to better inform the Council of the financial position, including budget versus actual activity, of the City.

Views of Responsible Officials and Planned Corrective Actions – Management would like to note that we feel the auditors share some responsibility in this finding. There was no prior indication from the audit firm of an elevated level of participation including preparation of the financial statements by the City in the audit process.

Failure by the City to record certain financial activity and reconciliation of ledgers was again due to the confusion as to whether it was the City's or auditor's responsibility. It was the City's erroneous expectation (based on all past audits) that those activities would be done by the auditors. However, these requirements were never communicated to the City until the entrance conference. Staff was never given the opportunity to delay the audit team and prepare financial statements.

The City will not hire a grant administrator. It is not the place of the auditor to mandate expenditures or set priorities in the governance of the City. It is management's opinion that the current job descriptions are sufficient to cover grant administration duties.

Management has already implemented a monthly report of revenues and expenses to all Council members.

Item 2009-03 – Ambulance Receivables

Statement of Condition – During the review of the City's year end accounts receivables, we discovered the following conditions:

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-03 – Ambulance Receivables

Statement of Condition (continued) –

- We inquired with the Assistant City Treasurer concerning the City's ambulance billings. The Assistant Treasurer informed us, the ambulance receivables have never been recorded in the audit report since the early 1990s, if at all. As of June 30, 2009, the City had a receivable of \$1,556,761. Management estimates that 80% (\$1,245,409) of the receivable is deemed uncollectible. Therefore, the net ambulance receivable at June 30, 2009 is \$311,352.
- As of June 30, 2008, the net receivable was \$266,178, which was a restatement of fund balance in the current year, within the General Fund.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately. This includes all receivables and payables for the City.

Effect – The City has misstated their audit report and financial statements for many years. Correct, complete, and accurate information has not been provided to the citizenry, the New Mexico Department of Finance and Administration Local Government Division, and others who rely on such information. Furthermore, non-compliance with New Mexico State Statutes and the Department of Finance and Administration rules could subject officials and employees to penalties and fines.

Cause – City administrators and treasurers have been unaware of the requirements to include all receivables due to the City, including ambulance. The City handles all ambulance billings in house. The City's upper management was unaware of the total amount of ambulance receivables at year end. Prior year auditors failed to record the balances within the financial statements. The City is ultimately responsible for their financial statements and should have insured the receivables were reflected within the financial statements.

Recommendation – We recommend the finance department work with the ambulance billing clerk to ensure billing for all emergency medical services are rendered and a copy of the monthly reports are retained for the auditors to review. Furthermore, we recommend the City create policies and procedures concerning writing off uncollectible emergency medical service accounts.

Views of Responsible Officials and Planned Corrective Actions – City management will instruct the ambulance billing clerk to produce monthly account receivable trial balances for audit submissions and review. It should be noted that the current auditors are in the group of past auditors who failed to record the balances within the financial statements. Now that we are aware of the error that was repeated for many years, corrective action has been taken.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-04 – Bank Depositories

Statement of Condition – The City maintains cash in interest bearing accounts in two separate financial institutions and such deposits were not invested in a ratio based upon the financial institution's total deposits.

Criteria – Section 6-10-36 NMSA 1978 states in part, *“Public money placed in interest-barring deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank's or savings and loan association's deposits bear to the total deposits of all banks and savings and loan associations.”*

Effect – Non-compliance with New Mexico State Statutes subjects City officials and personnel to punishment as defined by state statutes.

Cause – The City's finance department was not aware of the requirement to allocate interest bearing deposits between the financial institutions located within the City.

Recommendation – We recommend the City finance department review Section 6-10-36 of the New Mexico State Statutes and enact a policy and procedure that would ensure compliance with state law.

Views of Responsible Officials and Planned Corrective Actions – City management will request the distribution formula from financial institutions division of the regulation and licensing department and maintain an equitable distribution of interest bearing deposits in local financial institutions. A cash and investment policy will be adopted to incorporate proper local distributions of interest bearing deposits.

Item 2009-05 – Collateral of Public Monies

Statement of Condition – The City maintains cash accounts at First Savings Bank located in Deming, New Mexico. During the year the bank included the counties of Vilas, Wisconsin, St. Louis, Minnesota, and Wasatch County, Utah obligations within the securities pledged to secure the cash deposits of the City. The Wisconsin, Minnesota and Utah securities pledged do not meet the eligibility requirements of New Mexico State Statutes.

Criteria – New Mexico State Statutes Section 6-10-16 NMSA 1978 states that public deposits shall be secured with one of the following:

1. *“securities of the United States, its agencies or instrumentalities;*
2. *securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions;*
3. *securities, including student loans, that are guaranteed by the United States or the state of New Mexico;*

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-05 – Collateral of Public Monies (continued)

Criteria (continued) –

4. *revenue bonds that are underwritten by a member of the national association of securities dealers, known as "N.A.S.D.", and are rated "BAA" or above by a nationally recognized bond rating service; or*
5. *letters of credit issued by a federal home loan bank."*

Effect – Non-compliance with New Mexico State Statutes subjects the City's officials and personnel to punishment as defined by state statutes.

Cause – Management relied on the bank to pledge securities that meet the definitions of state statutes. City employees failed to notify the bank that the collateral pledged did not meet the requirements of New Mexico State Statutes.

Recommendation – We recommend that the City's finance department contact the bank and ask them to pledge securities to secure the deposits of the City that meet the requirement of state statutes.

Views of Responsible Officials and Planned Corrective Actions – The City will adopt a cash and investment policy to incorporate a review of depository collateral for statutory compliance throughout the year.

Item 2009-06 – Deposit and Investment of Public Funds

Statement of Condition – During the review of the City's investments, we discovered the following conditions:

- The City utilized the services of Multi-Bank Securities, Inc. to invest idle cash in certificates of deposit at financial institutions located outside of the state of New Mexico. As of June 30, 2009, the City had purchased two certificates of deposit totaling \$196,795. The certificates of deposit are located in Rockford, Illinois and Chicago, Illinois.
- The City utilized the services of Tri-Star Financial to invest idle cash in a certificate of deposit at a financial institution located outside the state of New Mexico. The amount originally invested was \$95,000 and was located in Puerto Rico. The certificate of deposit matured in April 2009. The City transferred the cash to a savings account held at First New Mexico Bank.
- The City utilized the services of Wells Fargo Bank to invest idle cash in a Wells Fargo Advantage Money Market mutual fund. The amount originally invested was \$100,000. In March 2009, the City sold their shares in the mutual fund and the City transferred the cash to a savings account held at First New Mexico Bank.

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-06 – Deposit and Investment of Public Funds (continued)

Statement of Condition (continued) –

- The City utilized the services of Coastal Securities, Inc. to invest idle cash in certificates of deposits at a financial institution located outside the state of New Mexico. The amounts originally invested totaled \$190,000. The certificates of deposit were located in Midvale, Utah and Cincinnati, Ohio. The certificates of deposit were sold in February and March 2009 and the City transferred the cash to a savings account held at First New Mexico Bank and First Savings Bank.

Criteria – New Mexico State Statutes Section 6-10-10B NMSA 1978 allows municipal treasurers to deposit money in one or more accounts with any such bank, savings and loan association or credit union located in their respective counties, subject to limitation on credit union accounts. Section 6-10-10F NMSA 1978 discusses the method the City may invest idle cash. Such investments must be either bonds or negotiable securities of the United States, or of the state of New Mexico; counties located within New Mexico, municipalities or school districts located in New Mexico, that 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. Section 6-10-10.1 allows the City to deposit idle cash with the New Mexico State Treasurer within the short-term investment fund. The state statutes do not allow idle funds to be invested in certificates of deposit in institutions that are located outside the state of New Mexico.

Effect – Depositing idle cash with banks not located within Luna County is a violation of state statutes. Noncompliance with the New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes. State statutes do not allow investment of idle cash within brokerage companies.

Cause – The prior City administration originally created the investments with these various brokerage companies. The prior and current City administrations were unaware of the New Mexico State Statutes concerning the requirements and limitations of investing idle cash.

Recommendation – We recommend City officials expedite the establishment of a policy and procedure related to investments of idle cash that would provide assurance of compliance with state laws and regulations.

Views of Responsible Officials and Planned Corrective Actions – Now that the current administration is aware of the out of state investment requirements we will liquidate all out of state investments as soon as practical. The City will develop and adopt a cash and investment policy to incorporate investment activities in compliance with state requirements.

Item 2009-07 – Anti-Donation Clause

Statement of Condition – During our review of the City Council board minutes, we discovered the City purchased meals for the annual Christmas party/awards banquet for City employees.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-07 – Anti-Donation Clause (continued)

Statement of Condition (continued) – The purchase of meals for City employees is a violation of the anti-donation clause, New Mexico Constitution Article IX, Section 14.

Criteria – New Mexico Constitution Article IX, Section 14 states, *neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.*

Effect – Noncompliance with the constitution could subject officials and employees to punishment as defined by state statutes.

Cause – Both the City Council and the City administration were unaware that providing meals for the annual Christmas party/awards banquet was a violation of the New Mexico Constitution Article IX, Section 14.

Recommendation – We recommend that the City establish procedures to ensure compliance with the anti-donation clause of the New Mexico State Constitution.

Views of Responsible Officials and Planned Corrective Actions – Management is aware of the anti-donation statutes but did not consider its action of providing a meal to employees for a function involving award recognition to be pertinent. In the future, management will refrain from providing meals as part of the function.

Item 2009-08 – Travel and Per Diem

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was sixty transactions and contained the following discrepancies:

- There were eighteen instances which required mileage reimbursements. Of those eighteen instances, all eighteen instances had the mileage reimbursement rate calculated incorrectly. The total variance totaled \$1,429.
- We noted nine instances where the travel voucher did not contain a written approval signature of the appropriate department head or supervisor.
- We noted five instances where the employees did not certify (sign) their travel reimbursement request forms.

The results of our testing of travel and per diem expenditures indicate the City is not in compliance with the New Mexico per diem and mileage act and the City's amendment dated July 14, 2008 to the Per Diem and Mileage Act.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-08 – Travel and Per Diem (continued)

Criteria – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978. The rule states that travel may be advanced up to 80% of the anticipated travel.

Furthermore, the City passed an amendment to the Travel and Per Diem Act on July 14, 2008, approving an increase in mileage from .32 cents per mile to .58 cents per mile and .2925 cents per mile if a city car was available and declined in lieu of a personal vehicle.

Effect – The City is not in compliance with the travel and per diem reimbursement rules and regulations. Non-compliance with the state of New Mexico subjects officials and employees to penalties as required by state statutes. The City is not in compliance with the amendment approved on July 14, 2008 to the Per Diem and Mileage Act.

Cause – City staff was unaware of the requirements of the New Mexico Administrative Code concerning travel and per diem regulations and the amendment passed on July 14, 2008 was incorrect.

Recommendation – We recommend City officials expedite the establishment and maintenance of the appropriate internal controls to provide assurance of compliance with laws and regulations. We recommend the City review the Travel and Per Diem Act, including the amendment approved, by the City Council, in July 2008. Furthermore, we recommend the City amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

Views of Responsible Officials and Planned Corrective Actions – The City followed the amended amount for travel per diem adopted in July of 2008. During the current audit it was brought to our attention that the mileage policy adopted by Council was not in compliance. Management became aware that the amount of travel per diem was incorrect in January of 2009 and from that point paid the correct amount. However, the policy was not formally amended. When the auditors informed us that the policy had not been formally amended, management immediately prepared and Council adopted a policy amendment in November 2009 that is now in compliance. The former Treasurer erroneously prepared an amendment in July of 2008 with a travel mileage reimbursement amount in compliance with the Internal Revenue Service rather than in compliance with the New Mexico Department of Finance and Administration. The former City Treasurer was responsible for all travel and per diem forms tested being complete in all aspects before being paid. The current accounting staff is now tasked with that responsibility and they are aware of the importance of all forms being properly and accurately completed.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-09 – Grant Compliance

Statement of Condition – During our review of two grants for compliance requirements we noted the following conditions:

- The Special Projects Coordinator failed to follow the compliance requirements for the Deming landfill closure/new landfill and transfer station grant between New Mexico Environment Department (NMED) and the City. This grant had twelve requirements and the City is not in compliance with six of the twelve requirements as detailed in the criteria section described below.
- The Special Projects Coordinator failed to follow the compliance requirements for the capital cooperative agreement to plan, design and construct improvements to Cedar Street between the New Mexico Department of Transportation (NMDOT) and the City. This grant had eight requirements and the City is not in compliance with four of the eight requirements as detailed in the criteria section described below.

Criteria – The landfill closure and new transfer station grant between NMED and the City states the following compliance requirements:

- If grant funds are to be used for engineering design or construction, plans and specification should be submitted to NMED prior to advertising for construction bids.
- Award recommendation, certified bid tabulation, copy of bid bond for selected contractor, and project financing should be submitted to NMED prior to awarding the contract; awarding will not commence with contractor until NMED has concurred.
- Comply with all applicable state laws, regulations, and policies including the state procurement code.
- After NMED approval of proposed award, necessary submittal consists of noticed of award, minutes of meeting in which award was made, pre-construction conference, copy of executed construction documents, and contractor notice to proceed all to NMED for review.
- Provide a full-time construction inspector for the project whose resume will be sent to NMED for approval.
- Requests can not be sent more than once in any thirty-day period.

The Capital Cooperative Agreement grant between NMDOT and the City states the following compliance requirements:

- Adopt a written resolution in support for the project.
- Within sixty days of project completion, submit the “Certification of Capital Cooperative Agreement Compliance/Completion” with the mayor’s signature.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-09 – Grant Compliance (continued)

Criteria (continued) –

- Comply with all applicable federal, state and local laws and regulations.
- Reimbursement requests are to be filed with NMDOT reflecting the percentage completed to date, amount due, remaining project balance, and project control number.

Effect – By not following the grant requirements, the Special Projects Coordinator and the City administration could jeopardize future funding for the City from the New Mexico Environment Department and the New Mexico Department of Transportation.

Cause – The Special Projects Coordinator failed to comply with all grant requirements for the two grants tested. As per the Special Projects Coordinator, some items were completed and thus the City met the compliance requirement; however, copies of the information were not in the grant file, nor were they presented to the auditors.

Recommendation – We recommend the City review the policies and procedures concerning grant compliance requirements. We recommend the Special Projects Coordinator to work more closely with the finance department to ensure all expenses are paid timely, and all reimbursement requests are submitted timely. Furthermore, we recommend the Special Projects Coordinator review all grant documents to ensure that all reporting requirements are being met.

Views of Responsible Officials and Planned Corrective Actions – Management will institute processes and assign responsibilities to individuals for compliance and monitoring of grants in progress.

Item 2009-10 – Annual Inventory of Capital Assets

Statement of Condition – The City did not perform a year-end physical inventory of capital assets, by department and location, for the fiscal year ended June 30, 2009. As such, management is unable to determine if the capital assets subsidiary ledger is accurate, correct and or complete.

Criteria – According to the Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls, 2.20-1.16, Annual Inventory*, the City shall conduct a physical inventory of its capital assets consisting of those costs of \$5,000 or more, under the control of the City.

Effect – Non-performance of a physical observation of the capital assets owned by the City could allow errors in the capital assets subsidiary records and the financial statements to exist and not be detected on a timely basis. Further, a dishonest employee could remove assets and the theft would not be detected on a timely basis.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-10 – Annual Inventory of Capital Assets (continued)

Cause –The City’s finance department has taken the responsibility to plan and perform the inventory for the City. The finance department periodically reviewed capital assets during the fiscal year; however failed to perform a City wide annual inventory of capital assets at year end.

Recommendation – We recommend the City adhere to the administrative code regarding the performance of a complete and accurate annual inventory. The City should establish procedures that utilize other City employees within the various departments to assist in completing the inventory at year-end. The entire burden of the performing the inventory does not need to be placed on the City’s finance department.

Views of Responsible Officials and Planned Corrective Actions – Physical inventories were performed during the fiscal year. However, the inventory clerk did not provide adequate documentation of her activities. Management will insure that physical inventories and adequate documentation is generated to comply with requirements.

Auditing Firm Response – The City needs to conduct the observation of capital assets (annual inventory) at year-end. Although observations can be done throughout the year, a complete and thorough observation of capital assets, throughout the City, at year-end, is recommended to comply with state statutes.

Item 2009-11 – Customer Utility Deposits

Statement of Condition – During the testing of customer utility deposits at year end, we discovered the following conditions:

- Due to multiple computer software conversions in the last few years, the City is unable to determine which customer utility deposit is correct at the end of the fiscal year.
- The City has failed to reconcile the customer utility deposit balance of \$367,942.
- The City has failed to review the outstanding check register to determine if any of the outstanding checks are refunds for utility deposits (amounts greater than \$5.00) and to follow up with the customer(s) concerning the depositing of the check.
- In the past, the City had failed to issue or apply deposit funds to all applicable customer accounts in a timely manner.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-11 – Customer Utility Deposits (continued)

Effect – The City has not reconciled its subsidiary ledgers with the control account reflected in the general ledger. Since the subsidiary ledger has not been reconciled to the general ledger the City staff can not vouch to the accuracy of the control account.

Cause – In years past, when an account was opened, the customer filled out an application form for services and the deposit amount was listed on the form. The forms were filed in the utility office. The amounts of customer utility deposits were also inputted into the accounting software. The City failed to maintain the deposits on a consistent basis.

Furthermore, with all of the accounting software conversions, the City failed to ensure the customer utility deposit amounts were transferred correctly by each individual customer account; thus, causing incorrect or inaccurate information to be transferred between accounting programs.

Recommendation – We recommend the City's utility billing department begin a reconciliation of any outstanding checks payable to customers for refunded deposits to determine; if any of those accounts are still active in the accounting system and show a liability to the City. Once the review is complete, checks should be issued to all accounts which have been closed and money is owed to the customer, greater than \$5.00.

Views of Responsible Officials and Planned Corrective Actions – Management is in the process of following the auditor's recommendation. The utility department has initiated the process of reconciling the deposit subsidiary with the cash deposit account. After staff has reconciled the subsidiary deposit ledger, the City will issue checks or apply deposit funds to all applicable customer accounts.

Item 2009-12 – Legal Compliance With Adopted Budget

Statement of Condition – The City's authorized budget within the EMS Special Revenue Fund was \$65,723. During the fiscal year, the City expended \$68,348 within the fund. The City exceeded its approved budget by \$2,625. The City's authorized budget within the Swimming Pool Special Revenue Fund was \$166,259. During the fiscal year, the City expended \$167,380. The City exceeded its approved budget by \$1,121.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation prohibit local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. City officials and governing authorities have the obligation to follow applicable state statutes.

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – The City personnel did not prepare the necessary budget resolutions necessary to cover the additional expenditures on a timely basis. The City prepared one budget adjustment resolution at the end of the fiscal year.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-12 – Legal Compliance With Adopted Budget (continued)

Recommendation – We recommend that the City’s staff and Councilors follow their policies and procedures concerning the review of the City’s budget against the actual expenditures, by fund. We recommend the budget review to be done monthly. This will allow the City staff to prepare any additional budget adjustment resolutions necessary to ensure that the City does not spend unauthorized funds in any line item.

Views of Responsible Officials and Planned Corrective Actions – Budget adjustments are made in the normal course of business. The finance department will institute procedures that minimize the possibility of human error being the cause of unintentionally exceeding the budget.

Item 2009-13 – Written Accounting Policy and Procedures Manual

Statement of Condition – During our evaluation of internal control procedures, we noted that the City does not have a current accounting policies and procedures manual. The current operating procedures used can change depending on the employee performing the task(s). The following are deficiencies noted concerning the accounting policy and procedures manual.

- During the year, the City remitted “lease purchase payments” on a piece of equipment purchased by the City. However, the City and the vendor failed to ensure that a lease agreement was signed and agreed upon by the vendor and City Council.
- The Special Projects Coordination signed all lease agreements, thus, indebting the City for the lease purchase of new machinery and equipment. The City failed to provide any documentation stating the Special Projects Coordinator has the authority, on behalf of the City, to incur the debt.
- The City’s job descriptions, for some positions in the finance department, including the utility billing staff, are outdated and no longer applicable to current job requirements.
- The City failed to record the financial activity related to three lease agreements entered into by the City during the fiscal year.

Criteria – Written and current documentation is essential in an accounting system, an in establishing a strong internal control system. The accounting policies and procedures manual serves as a guide that all employees must follow. This includes periodic updates to the job descriptions of all City employees.

Effect – Without proper approval by the City Council, or changes within the employee’s job description, employees could incur the debt for items not needed or items purchased for an employee’s personal benefit.

Without updated, complete and accurate job descriptions, City employees are unaware of their duties for the position they have been hired to perform.

**STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-13 – Written Accounting Policy and Procedures Manual (continued)

Cause – The City has failed to update their accounting policies and procedures manual. The City believed the current manual is sufficient to use as a guide for the City's accounting.

Over the last few years, the City has failed to update all of their job descriptions. Some of the current job descriptions do not correspond to the duties currently performed by the employee in each position. For example, the employee preparing payroll is classified as Bookkeeper – Account. However, there are no payroll responsibilities listed in their job description. Rather, there are accounts payable, inventory (capital assets) and supervising clerical staff responsibilities stated in the job description, all of which, the employee does not perform.

Recommendation – We recommend the City update their accounting policies and procedures manual to conform to current governmental accounting standards and general accepted accounting procedures (GAAP).

The City's Human Resource department should meet with all employees, starting with the finance department, to receive, from the employee, an understanding of their job descriptions. After meeting with City staff, the City's Human Resource Department needs to modify all job descriptions and review the modifications with City management. Once the job descriptions have been modified, they should be presented to the City Council for final review and approval.

Furthermore, any debt incurred by the City, should be presented to and approved by the City Council, with an indication of who can indebted the City and or change various employee's job descriptions.

Views of Responsible Officials and Planned Corrective Actions – The City will review its current accounting policies and procedures for conformance to current governmental accounting standards and generally accepted accounting procedures (GAAP).

All job descriptions are currently being reviewed by the human resources department. Those that need updating will be modified and approved by City Council. This is a process that was already being undertaken independent of the recommendation of the auditors.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS –
RURAL DEVELOPMENT EMPOWERMENT ZONES AND ECONOMIC
COMMUNITIES CFDA NO. 10.772 AND SECTION 595 OF THE WATER
RESOURCES DEVELOPMENT ACT OF 1999 CFDA NO. 66.418**

None.

STATE OF NEW MEXICO
CITY OF DEMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS

Item 2007-02 – Bank Reconciliations – During the prior year’s audit, it was noted the City’s bank reconciliations did not agree to the general ledger at year-end. The finding has not been resolved and is updated and repeated.

Item 2007-03 – Cash Receipts Retention – During the prior year’s audit, it was noted the City’s receipts were not consistently filed; documents not always clearly identifiable and similar transactions not documented consistently each time. The finding has not been resolved and is updated and repeated.

Item 2007-06 – Submission of Audit Report – During the prior year’s audit, it was noted the City’s audit report for the fiscal year ended June 30, 2008 was not submitted by the due date of December 1, 2008. The finding has not been resolved and is updated and repeated.

Item 2007-07 – Data Collection Form – During the prior year’s audit, it was noted the City’s Data Collection Form was not submitted to the federal audit clearinghouse, no later than nine months after the fiscal year-end. For the current year, the City received an extension from the U.S. Department of the Army Corps of Engineers. The finding has been resolved.

Item 2008-01 – Terminated Employee File – During the prior year’s audit, it was noted the City failed to document one termination notice to PERA. During the fiscal year, the City documented employee’s termination notices to PERA on a timely basis. The finding has been resolved.

Item 2008-02 – Lodgers’ Tax Reports – During the prior year’s audit, it was noted the City failed to obtain monthly lodger tax reports from eight lodging establishments. During the fiscal year, the City’s staff ensured that all copies of the tax payment voucher were correctly retained in the City’s records. The finding has been resolved.

Item 2008-03 – Disposal of Capital Assets – During the prior year’s audit, it was noted the City failed to inform the New Mexico State Auditor’s office concerning the disposal of several capital assets. During the fiscal year, the City informed the State Auditor’s office when they disposed of capital assets. The finding has been resolved.

STATE OF NEW MEXICO
CITY OF DEMING
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2009

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on June 14, 2010. Present for the City were Andres Z. Silva, mayor; William C. Shattuck, mayor pro-tem; Richard F. McInturff, city administrator; Richard Kocab, assistant treasurer; Laura Holguin and Lloyd Valentine, budget analysts. Present for the auditing firm were Ed Fierro, CPA and Dominic Fierro, audit manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the City of Deming as of June 30, 2009. The City's upper management have reviewed and approved the financial statements and related notes, and they believe that the City's books and records adequately support them.