

City of Deming, New Mexico  
Financial Statements  
For the Year Ended June 30, 2017



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
City of Deming  
Annual Financial Report  
June 30, 2017  
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City of Deming  
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**STATE OF NEW MEXICO**

City of Deming

Official Roster

June 30, 2017

**Elected Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>
Benny Jasso	Mayor
Dr. Víctor Cruz	Mayor Pro-Tem
David Sanchez	City Councilor
Roxana Rincon	City Councilor
Joe Milo	City Councilor
Frank M. Van Gundy	Municipal Judge

**Department Heads**

Aaron Sera	City Administrator/Clerk
Jim Massengill	Director of Public Works
Bryan Reedy	Director of Community Service
Robert Orosco	Chief of Police
Raul Mercado	Chief of Fire/EMS
Laura Holguin	Finance Director/Treasurer

**Administration**

Vicki Engle	Human Resources/Safety Coordinator & Assistant Deputy Clerk
Patty Ciccotelli	Accountant
Lila Jasso	Administrative Assistant/Assistant Deputy Clerk

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

City Council  
City of Deming  
Wayne A. Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Deming, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Deming (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund and major special revenue fund of the City, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Schedules I and II and the notes to the Required Supplementary Information on pages 68 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Supporting Schedules III through V required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements

The combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through V required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, and the Supporting Schedules III through V required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, New Mexico  
December 11, 2017

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Deming

Statement of Net Position

June 30, 2017

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 12,287,069	\$ 10,674,592	\$ 22,961,661
Investments	470,369	2,946,541	3,416,910
Receivables:			
Ambulance receivable, net	162,615	-	162,615
Customer receivable, net	-	834,846	834,846
Taxes receivable	1,711,520	-	1,711,520
Due from other governments	303,497	22,019	325,516
Inventory	38,227	316,935	355,162
<i>Total current assets</i>	<u>14,973,297</u>	<u>14,794,933</u>	<u>29,768,230</u>
Noncurrent assets			
Restricted cash and cash equivalents	568,780	742,497	1,311,277
Non-depreciable capital assets	8,044,374	7,852,633	15,897,007
Depreciable capital assets	80,529,890	54,918,792	135,448,682
Less: accumulated depreciation	<u>(46,223,156)</u>	<u>(23,262,075)</u>	<u>(69,485,231)</u>
<i>Total noncurrent assets</i>	<u>42,919,888</u>	<u>40,251,847</u>	<u>83,171,735</u>
<i>Total assets</i>	<u>57,893,185</u>	<u>55,046,780</u>	<u>112,939,965</u>
<b>Deferred outflows of resources</b>			
Deferred outflows- pension	<u>4,527,197</u>	<u>757,607</u>	<u>5,284,804</u>
<i>Total deferred outflows of resources</i>	<u>4,527,197</u>	<u>757,607</u>	<u>5,284,804</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 62,420,382</u>	<u>\$ 55,804,387</u>	<u>\$ 118,224,769</u>

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 518,559	\$ 480,072	\$ 998,631
Accrued payroll expenses	151,614	27,737	179,351
Meter deposits	-	573,777	573,777
Current portion of loans and bonds payable	36,855	94,806	131,661
<i>Total current liabilities</i>	<u>707,028</u>	<u>1,176,392</u>	<u>1,883,420</u>
Noncurrent liabilities			
Accrued compensated absences	414,056	118,359	532,415
Landfill closure and post-closure	-	438,070	438,070
Loans and bonds payable	1,423,655	1,759,767	3,183,422
Net pension liability	14,135,815	2,473,462	16,609,277
<i>Total noncurrent liabilities</i>	<u>15,973,526</u>	<u>4,789,658</u>	<u>20,763,184</u>
<i>Total liabilities</i>	<u>16,680,554</u>	<u>5,966,050</u>	<u>22,646,604</u>
<b>Deferred inflows of resources</b>			
Deferred inflows- pension	321,334	54,445	375,779
<i>Total deferred inflows of resources</i>	<u>321,334</u>	<u>54,445</u>	<u>375,779</u>
<b>Net position</b>			
Net investment in capital assets	40,890,598	37,654,777	78,545,375
Restricted for:			
Debt service	504,881	119,576	624,457
Prepaid energy	-	31,418	31,418
Capital projects	174,435	-	174,435
Special revenue projects	796,243	-	796,243
Unrestricted	3,052,337	11,978,121	15,030,458
<i>Total net position</i>	<u>45,418,494</u>	<u>49,783,892</u>	<u>95,202,386</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 62,420,382</u>	<u>\$ 55,804,387</u>	<u>\$ 118,224,769</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, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<b>Primary Government</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government	\$ 4,335,369	\$ 2,807,635	\$ 343,960	\$ -
Public safety	6,480,123	390,000	462,740	-
Public works	1,329,832	105	560,923	113,933
Culture and recreation	2,003,621	33,435	81,425	-
Health and welfare	697,306	-	-	-
Interest and other costs	58,782	-	-	-
<i>Total governmental activities</i>	<u>14,905,033</u>	<u>3,231,175</u>	<u>1,449,048</u>	<u>113,933</u>
<b>Business-type Activities:</b>				
Gas	2,954,724	3,100,627	-	-
Sewer	1,377,688	1,296,696	173,074	480,214
Solid waste	2,037,734	2,422,573	679,473	-
Water	2,260,211	2,053,868	-	-
Cemetery	106,832	120,445	-	-
Airport	694,049	77,610	22,019	459,243
<i>Total business-type activities</i>	<u>9,431,238</u>	<u>9,071,819</u>	<u>874,566</u>	<u>939,457</u>
<i>Total</i>	<u>\$ 24,336,271</u>	<u>\$ 12,302,994</u>	<u>\$ 2,323,614</u>	<u>\$ 1,053,390</u>

**General Revenues and transfers:**

Taxes:

Gross receipts taxes

Property taxes, levied for general purposes

Gasoline, franchise and motor vehicle

Other

Investment income

Miscellaneous revenue

Gain/(loss) on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,183,774)	\$ -	\$ (1,183,774)
(5,627,383)	-	(5,627,383)
(654,871)	-	(654,871)
(1,888,761)	-	(1,888,761)
(697,306)	-	(697,306)
(58,782)	-	(58,782)
<u>(10,110,877)</u>	<u>-</u>	<u>(10,110,877)</u>
-	145,903	145,903
-	572,296	572,296
-	1,064,312	1,064,312
-	(206,343)	(206,343)
-	13,613	13,613
-	<u>(135,177)</u>	<u>(135,177)</u>
<u>-</u>	<u>1,454,604</u>	<u>1,454,604</u>
<u>(10,110,877)</u>	<u>1,454,604</u>	<u>(8,656,273)</u>
8,229,714	-	8,229,714
835,423	-	835,423
638,890	-	638,890
389,795	-	389,795
52,039	25,400	77,439
164,954	37,717	202,671
(11,096)	7,200	(3,896)
<u>(763,625)</u>	<u>763,625</u>	<u>-</u>
<u>9,536,094</u>	<u>833,942</u>	<u>10,370,036</u>
(574,783)	2,288,546	1,713,763
<u>45,993,277</u>	<u>47,495,346</u>	<u>93,488,623</u>
<u>\$ 45,418,494</u>	<u>\$ 49,783,892</u>	<u>\$ 95,202,386</u>

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

**STATE OF NEW MEXICO**  
City of Deming  
Balance Sheet  
Governmental Funds  
June 30, 2017

Exhibit B-1  
Page 1 of 2

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 11,509,063	\$ 151,940	\$ 1,194,846	\$ 12,855,849
Investments	438,801	-	31,568	470,369
Receivables:				
Ambulance receivable, net	162,615	-	-	162,615
Property taxes	134,088	-	-	134,088
Gross receipts taxes	1,464,131	-	-	1,464,131
Other taxes	31,939	70,758	10,604	113,301
Due from other governments	113,751	85,902	103,844	303,497
Inventory	38,227	-	-	38,227
Due from other funds	-	-	9,823	9,823
<i>Total assets</i>	<u>\$ 13,892,615</u>	<u>\$ 308,600</u>	<u>\$ 1,350,685</u>	<u>\$ 15,551,900</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
<i>Liabilities</i>				
Accounts payable	\$ 172,692	\$ 129,530	\$ 216,337	\$ 518,559
Accrued payroll expenses	139,420	4,735	7,459	151,614
Due to other funds	9,823	-	-	9,823
<i>Total liabilities</i>	<u>321,935</u>	<u>134,265</u>	<u>223,796</u>	<u>679,996</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	108,591	-	-	108,591
<i>Total deferred inflows of resources</i>	<u>108,591</u>	<u>-</u>	<u>-</u>	<u>108,591</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	38,227	-	-	38,227
Spendable:				
Restricted for:				
Public safety	-	-	274,612	274,612
Culture and recreation	-	-	92,864	92,864
Promotion	-	-	169,197	169,197
Transportation and roads	-	174,335	100	174,435
Debt service	-	-	504,881	504,881
Committed to:				
Subsequent year's expenditures	1,109,706	-	-	1,109,706
Assigned to:				
Economic development	-	-	106,928	106,928
Capital improvements	-	-	100	100
Unassigned	12,314,156	-	(21,793)	12,292,363
<i>Total fund balances</i>	<u>13,462,089</u>	<u>174,335</u>	<u>1,126,889</u>	<u>14,763,313</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 13,892,615</u>	<u>\$ 308,600</u>	<u>\$ 1,350,685</u>	<u>\$ 15,551,900</u>

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



STATE OF NEW MEXICO

City of Deming

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2017

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	\$ 14,763,313
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	42,351,108
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	108,591
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows- pension	4,527,197
Deferred inflows- pension	(321,334)
Certain liabilities, including loans and bonds payable and related components, accrued interest, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(414,056)
Loans and bonds payable	(1,460,510)
Net pension liability	<u>(14,135,815)</u>
<i>Net position of governmental activities</i>	<u><u>\$ 45,418,494</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, 2017

Exhibit B-2  
Page 1 of 2

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 1,104,387	\$ -	\$ -	\$ 1,104,387
Gross receipts taxes	8,229,714	-	-	8,229,714
Gasoline, franchise, and motor vehicle	355,398	283,492	-	638,890
Lodgers tax	-	-	389,795	389,795
Intergovernmental:				
Federal operating grants	208,196	87,902	-	296,098
Federal capital grants	-	-	113,933	113,933
State operating grants	138,788	473,021	541,141	1,152,950
Charges for services	3,067,452	64,137	99,586	3,231,175
Investment income	51,982	-	57	52,039
Miscellaneous	139,471	25	25,458	164,954
<i>Total revenues</i>	<u>13,295,388</u>	<u>908,577</u>	<u>1,169,970</u>	<u>15,373,935</u>
<i>Expenditures</i>				
Current:				
General government	2,956,090	-	-	2,956,090
Public safety	5,218,702	-	159,473	5,378,175
Public works	-	1,040,696	-	1,040,696
Culture and recreation	704,334	-	892,253	1,596,587
Health and welfare	147,657	-	468,123	615,780
Capital outlay	466,371	663,847	300,040	1,430,258
Debt service:				
Principal	-	5,468	35,700	41,168
Interest	-	-	25,663	25,663
Bond issuance costs	-	-	33,119	33,119
<i>Total expenditures</i>	<u>9,493,154</u>	<u>1,710,011</u>	<u>1,914,371</u>	<u>13,117,536</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,802,234</u>	<u>(801,434)</u>	<u>(744,401)</u>	<u>2,256,399</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	538,000	538,000
Proceeds from sale of capital assets	38,397	-	-	38,397
Transfers in	58,694	850,000	952,974	1,861,668
Transfers (out)	(2,408,656)	(2,668)	(213,969)	(2,625,293)
<i>Total other financing sources (uses)</i>	<u>(2,311,565)</u>	<u>847,332</u>	<u>1,277,005</u>	<u>(187,228)</u>
<i>Net change in fund balance</i>	1,490,669	45,898	532,604	2,069,171
<i>Fund balance - beginning of year</i>	<u>11,971,420</u>	<u>128,437</u>	<u>594,285</u>	<u>12,694,142</u>
<i>Fund balance - end of year</i>	<u>\$ 13,462,089</u>	<u>\$ 174,335</u>	<u>\$ 1,126,889</u>	<u>\$ 14,763,313</u>

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

**STATE OF NEW MEXICO**

City of Deming

Governmental Funds

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, 2017

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	2,069,171
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay additions reported in capital outlay expenditures		1,430,258
Depreciation expense		(2,018,734)
Book value of disposed assets		(49,493)
Adjustment to capital assets		7,200

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in deferred inflows related to the property taxes receivable		(268,964)
---	--	-----------

Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

City pension contributions		659,410
Pension expense		(1,879,026)

Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:

Increase in accrued compensated absences		(32,050)
Decrease in accrued interest		4,277

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Bond proceeds		(538,000)
Principal payments on loans		41,168

<i>Change in net position of governmental activities</i>	<u>\$</u>	<u>(574,783)</u>
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The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Exhibit C-1

City of Deming

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
Taxes:				
Property	\$ 1,048,423	\$ 1,109,578	\$ 1,109,579	\$ 1
Gross receipts	7,000,000	7,940,106	8,052,132	112,026
Gasoline, franchise and motor vehicle	350,000	357,784	357,785	1
Intergovernmental:				
Federal operating grants	202,635	222,635	222,512	(123)
State operating grants	542,800	78,683	76,852	(1,831)
Charges for services	3,043,828	3,016,830	3,017,116	286
Investment income	30,000	52,201	51,982	(219)
Miscellaneous	106,600	137,337	139,471	2,134
<i>Total revenues</i>	<u>12,324,286</u>	<u>12,915,154</u>	<u>13,027,429</u>	<u>112,275</u>
<i>Expenditures</i>				
Current:				
General government	2,989,401	3,204,728	3,023,454	181,274
Public safety	5,731,459	5,791,295	5,171,097	620,198
Culture and recreation	876,983	890,246	688,993	201,253
Health and welfare	306,250	310,331	145,641	164,690
Capital outlay	695,250	900,464	638,810	261,654
<i>Total expenditures</i>	<u>10,599,343</u>	<u>11,097,064</u>	<u>9,667,995</u>	<u>1,429,069</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,724,943</u>	<u>1,818,090</u>	<u>3,359,434</u>	<u>1,541,344</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,233,255	1,246,255	-	(1,246,255)
Proceeds from sale of capital assets	1,000	38,396	38,397	1
Transfers in	52,500	73,608	58,694	(14,914)
Transfers (out)	(3,011,698)	(3,176,349)	(2,403,656)	772,693
<i>Total other financing sources (uses)</i>	<u>(1,724,943)</u>	<u>(1,818,090)</u>	<u>(2,306,565)</u>	<u>(488,475)</u>
<i>Net change in fund balance</i>	-	-	1,052,869	1,052,869
<i>Fund balance - beginning of year</i>	-	-	10,894,995	10,894,995
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,947,864</u>	<u>\$ 11,947,864</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,052,869	
Adjustments to revenues for gross receipt taxes, other taxes and federal grants.			267,959	
Adjustments to expenditures for salaries and operating expenses.			169,841	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 1,490,669</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 Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2017

Exhibit C-2

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline, franchise and motor vehicle	270,000	270,000	282,431	12,431
Intergovernmental:				
Federal operating grants	823,000	823,000	87,902	(735,098)
State operating grants	1,854,735	1,915,747	436,836	(1,478,911)
Charges for services	63,300	63,300	56,276	(7,024)
Sale of fixed assets	1,000	1,000	-	(1,000)
Miscellaneous	200	200	25	(175)
<i>Total revenues</i>	<u>3,012,235</u>	<u>3,073,247</u>	<u>863,470</u>	<u>(2,209,777)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,195,419	1,254,536	1,041,722	212,814
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,947,981	2,947,981	650,867	2,297,114
<i>Total expenditures</i>	<u>4,143,400</u>	<u>4,202,517</u>	<u>1,692,589</u>	<u>2,509,928</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,131,165)</u>	<u>(1,129,270)</u>	<u>(829,119)</u>	<u>300,151</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(44,651)	(44,651)	-	44,651
Loan proceeds	-	-	-	-
Transfers in	1,182,889	1,182,889	850,000	(332,889)
Transfers (out)	(7,073)	(8,968)	(2,668)	6,300
<i>Total other financing sources (uses)</i>	<u>1,131,165</u>	<u>1,129,270</u>	<u>847,332</u>	<u>(281,938)</u>
<i>Net change in fund balance</i>	-	-	18,213	18,213
<i>Fund balance - beginning of year</i>	-	-	133,727	133,727
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,940</u>	<u>\$ 151,940</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 18,213	
Adjustments to revenues for oil and gas taxes and state operating grants.			45,107	
Adjustments to expenditures for salaries and operating expenses.			<u>(17,422)</u>	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 45,898</u>	

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

**STATE OF NEW MEXICO**  
City of Deming  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 3,188,994	\$ 1,073,003	\$ 3,252,572
Investments	1,686,889	100,190	293,211
Customer receivables, net	171,674	146,881	250,238
Due from other governments	-	-	-
Inventory	73,549	18,697	-
<i>Total current assets</i>	<u>5,121,106</u>	<u>1,338,771</u>	<u>3,796,021</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	591,503	25,677	63,883
Capital assets	7,097,032	18,199,582	7,465,235
Less: accumulated depreciation	<u>(4,396,591)</u>	<u>(7,306,624)</u>	<u>(2,709,309)</u>
<i>Total noncurrent assets</i>	<u>3,291,944</u>	<u>10,918,635</u>	<u>4,819,809</u>
<i>Total assets</i>	<u>8,413,050</u>	<u>12,257,406</u>	<u>8,615,830</u>
<b>Deferred outflows of resources</b>			
Deferred outflows- pension	<u>118,147</u>	<u>118,315</u>	<u>278,420</u>
<i>Total deferred outflows of resources</i>	<u>118,147</u>	<u>118,315</u>	<u>278,420</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 8,531,197</u>	<u>\$ 12,375,721</u>	<u>\$ 8,894,250</u>

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

<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 2,861,800	\$ 98,055	\$ 200,168	\$ 10,674,592
608,170	197,239	60,842	2,946,541
251,838	14,215	-	834,846
-	-	22,019	22,019
224,689	-	-	316,935
<u>3,946,497</u>	<u>309,509</u>	<u>283,029</u>	<u>14,794,933</u>
61,434	-	-	742,497
18,163,899	565,020	11,280,657	62,771,425
<u>(5,303,977)</u>	<u>(204,736)</u>	<u>(3,340,838)</u>	<u>(23,262,075)</u>
<u>12,921,356</u>	<u>360,284</u>	<u>7,939,819</u>	<u>40,251,847</u>
<u>16,867,853</u>	<u>669,793</u>	<u>8,222,848</u>	<u>55,046,780</u>
<u>225,563</u>	<u>17,161</u>	<u>-</u>	<u>757,607</u>
<u>225,563</u>	<u>17,161</u>	<u>-</u>	<u>757,607</u>
<u>\$ 17,093,416</u>	<u>\$ 686,954</u>	<u>\$ 8,222,848</u>	<u>\$ 55,804,387</u>

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

**STATE OF NEW MEXICO**  
City of Deming  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 91,865	\$ 145,163	\$ 81,485
Accrued payroll expenses	6,839	3,300	11,415
Meter deposits	573,777	-	-
Current maturity of loans payable	-	16,182	3,253
<i>Total current liabilities</i>	<u>672,481</u>	<u>164,645</u>	<u>96,153</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	28,145	20,102	39,670
Landfill closure and post-closure costs	-	-	438,070
Loans payable	-	264,480	55,597
Net pension liability	453,622	340,330	985,599
<i>Total noncurrent liabilities</i>	<u>481,767</u>	<u>624,912</u>	<u>1,518,936</u>
<i>Total liabilities</i>	<u>1,154,248</u>	<u>789,557</u>	<u>1,615,089</u>
<b>Deferred inflows of resources</b>			
Deferred inflows- pension	7,999	8,042	20,620
<i>Total deferred inflows of resources</i>	<u>7,999</u>	<u>8,042</u>	<u>20,620</u>
<b>Net position</b>			
Net investment in capital assets	2,700,441	10,612,296	4,697,076
Restricted for:			
Debt service	-	-	63,883
Prepaid energy	-	25,677	-
Unrestricted	4,668,509	940,149	2,497,582
<i>Total net position</i>	<u>7,368,950</u>	<u>11,578,122</u>	<u>7,258,541</u>
<i>Total liabilities and net position</i>	<u>\$ 8,531,197</u>	<u>\$ 12,375,721</u>	<u>\$ 8,894,250</u>

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



<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 141,156	\$ 1,410	\$ 18,993	\$ 480,072
6,183	-	-	27,737
-	-	-	573,777
75,371	-	-	94,806
<u>222,710</u>	<u>1,410</u>	<u>18,993</u>	<u>1,176,392</u>
30,047	395	-	118,359
-	-	-	438,070
1,439,690	-	-	1,759,767
640,735	53,176	-	2,473,462
<u>2,110,472</u>	<u>53,571</u>	<u>-</u>	<u>4,789,658</u>
<u>2,333,182</u>	<u>54,981</u>	<u>18,993</u>	<u>5,966,050</u>
16,547	1,236	-	54,445
<u>16,547</u>	<u>1,236</u>	<u>-</u>	<u>54,445</u>
11,344,861	360,284	7,939,819	37,654,777
55,693	-	-	119,576
5,741	-	-	31,418
3,337,392	270,453	264,036	11,978,121
<u>14,743,687</u>	<u>630,737</u>	<u>8,203,855</u>	<u>49,783,892</u>
<u>\$ 17,093,416</u>	<u>\$ 686,954</u>	<u>\$ 8,222,848</u>	<u>\$ 55,804,387</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 Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<i>Operating revenues</i>			
Charges for services	\$ 3,100,627	\$ 1,296,696	\$ 2,422,573
<i>Total operating revenues</i>	<u>3,100,627</u>	<u>1,296,696</u>	<u>2,422,573</u>
<i>Operating expenses</i>			
Depreciation	305,158	381,509	310,300
Personnel services	272,612	281,067	737,540
Contractual services	18,427	138,991	78,082
Supplies and purchases	1,701,920	12,011	9,684
Maintenance and materials	39,905	49,962	360,080
Administrative fees	592,814	358,504	459,598
Utilities	15,592	145,430	11,797
Non-capital equipment	8,296	5,191	70,653
<i>Total operating expenses</i>	<u>2,954,724</u>	<u>1,372,665</u>	<u>2,037,734</u>
<i>Operating income (loss)</i>	<u>145,903</u>	<u>(75,969)</u>	<u>384,839</u>
<i>Non-operating revenues (expenses)</i>			
Interest expense	-	(5,023)	-
Operating grants	-	173,074	679,473
Investment income	10,094	6,042	1,905
Miscellaneous income	14,066	15,112	5,066
Gain on sale of capital assets	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>24,160</u>	<u>189,205</u>	<u>686,444</u>
<i>Income (loss) before contributions and transfers</i>	<u>170,063</u>	<u>113,236</u>	<u>1,071,283</u>
Capital grants	-	480,214	-
Transfers in	-	800,000	-
Transfers (out)	(9,457)	(9,457)	(5,336)
<i>Change in net position</i>	160,606	1,383,993	1,065,947
<i>Total net position, beginning of year</i>	<u>7,208,344</u>	<u>10,194,129</u>	<u>6,192,594</u>
<i>Total net position, end of year</i>	<u>\$ 7,368,950</u>	<u>\$ 11,578,122</u>	<u>\$ 7,258,541</u>

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

<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 2,053,868	\$ 120,445	\$ 77,610	\$ 9,071,819
<u>2,053,868</u>	<u>120,445</u>	<u>77,610</u>	<u>9,071,819</u>
490,934	11,519	143,771	1,643,191
604,182	49,741	450	1,945,592
185,074	2,600	515,124	938,298
55,956	2,641	1,195	1,783,407
117,494	27,366	6,853	601,660
420,427	6,173	11,373	1,848,889
350,051	2,181	15,283	540,334
12,866	4,611	-	101,617
<u>2,236,984</u>	<u>106,832</u>	<u>694,049</u>	<u>9,402,988</u>
<u>(183,116)</u>	<u>13,613</u>	<u>(616,439)</u>	<u>(331,169)</u>
(23,227)	-	-	(28,250)
-	-	22,019	874,566
6,892	357	110	25,400
3,373	100	-	37,717
-	7,200	-	7,200
<u>(12,962)</u>	<u>7,657</u>	<u>22,129</u>	<u>916,633</u>
<u>(196,078)</u>	<u>21,270</u>	<u>(594,310)</u>	<u>585,464</u>
-	-	459,243	939,457
-	-	-	800,000
<u>(9,457)</u>	<u>(2,668)</u>	<u>-</u>	<u>(36,375)</u>
(205,535)	18,602	(135,067)	2,288,546
<u>14,949,222</u>	<u>612,135</u>	<u>8,338,922</u>	<u>47,495,346</u>
<u>\$ 14,743,687</u>	<u>\$ 630,737</u>	<u>\$ 8,203,855</u>	<u>\$ 49,783,892</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  
For the Year Ended June 30, 2017

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 3,064,339	\$ 1,312,023	\$ 2,420,595
Cash payments to employees for services	(256,348)	(257,816)	(680,001)
Cash payments to suppliers for goods and services	(2,341,095)	(688,128)	(760,779)
<i>Net cash provided (used) by operating activities</i>	<u>466,896</u>	<u>366,079</u>	<u>979,815</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	-	173,074	679,473
Miscellaneous income	14,066	15,112	5,066
Transfers (net)	(9,457)	790,543	(5,336)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>4,609</u>	<u>978,729</u>	<u>687,302</u>
<i>Cash flows from investing activities:</i>			
Proceeds from sale of capital assets	-	-	-
Purchase of investments	(994,087)	-	(144,747)
Proceeds from sale of investments	-	1,039	-
Interest on investments	10,094	6,042	1,905
<i>Net cash provided by investing activities</i>	<u>(983,993)</u>	<u>7,081</u>	<u>(142,842)</u>
<i>Cash flows from capital and related financing activities:</i>			
Interest paid	-	(73,192)	-
Capital grants	-	480,214	-
Acquisition of capital assets	(7,161)	(437,714)	(47,706)
Principal payments on loans	-	(1,680,156)	(3,710)
<i>Net cash (used) by capital and related financing activities</i>	<u>(7,161)</u>	<u>(1,710,848)</u>	<u>(51,416)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(519,649)	(358,959)	1,472,859
<i>Cash and cash equivalents - beginning of year</i>	4,300,146	1,457,639	1,843,596
<i>Cash and cash equivalents - end of year</i>	<u>\$ 3,780,497</u>	<u>\$ 1,098,680</u>	<u>\$ 3,316,455</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 145,903	\$ (75,969)	\$ 384,839
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	305,158	381,509	310,300
Adjustments to capital assets	-	-	164,200
Net pension expense	30,364	30,535	78,278
Changes in assets and liabilities:			
Receivables	(12,665)	15,327	(1,978)
Inventory	(49,477)	706	-
Accounts payable	85,336	21,255	64,915
Accrued payroll expenses	(15,880)	(10,524)	(25,542)
Customer deposits	(23,623)	-	-
Accrued compensated absences	1,780	3,240	4,803
<i>Net cash provided (used) by operating activities</i>	<u>\$ 466,896</u>	<u>\$ 366,079</u>	<u>\$ 979,815</u>

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

<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 2,084,379	\$ 112,310	\$ 80,697	\$ 9,074,343
(546,922)	(44,088)	(450)	(1,785,625)
<u>(1,008,928)</u>	<u>(38,041)</u>	<u>(536,432)</u>	<u>(5,373,403)</u>
<u>528,529</u>	<u>30,181</u>	<u>(456,185)</u>	<u>1,915,315</u>
-	-	-	852,547
3,373	100	-	37,717
<u>(9,457)</u>	<u>(2,668)</u>	<u>-</u>	<u>763,625</u>
<u>(6,084)</u>	<u>(2,568)</u>	<u>-</u>	<u>1,661,988</u>
193,185	7,200	-	200,385
(363,206)	(197,239)	(60,842)	(1,760,121)
-	-	-	1,039
6,892	357	110	25,400
<u>(163,129)</u>	<u>(189,682)</u>	<u>(60,732)</u>	<u>(1,533,297)</u>
(25,479)	-	-	(98,671)
-	-	481,262	961,476
(7,161)	-	(4,177)	(503,919)
<u>(74,843)</u>	<u>-</u>	<u>-</u>	<u>(1,758,709)</u>
<u>(63,483)</u>	<u>-</u>	<u>477,085</u>	<u>(1,355,823)</u>
295,833	(162,069)	(39,832)	688,183
<u>2,627,401</u>	<u>260,124</u>	<u>240,000</u>	<u>10,728,906</u>
<u>\$ 2,923,234</u>	<u>\$ 98,055</u>	<u>\$ 200,168</u>	<u>\$ 11,417,089</u>
\$ (183,116)	\$ 13,613	\$ (616,439)	\$ (331,169)
490,934	11,519	143,771	1,643,191
-	-	-	164,200
62,809	4,690	-	206,676
30,511	(8,135)	3,087	26,147
24,425	-	-	(24,346)
108,515	8,675	-	288,696
(10,745)	(181)	13,396	(49,476)
-	-	-	(23,623)
5,196	-	-	15,019
<u>\$ 528,529</u>	<u>\$ 30,181</u>	<u>\$ (456,185)</u>	<u>\$ 1,915,315</u>

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

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**STATE OF NEW MEXICO**  
City of Deming  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2017

Exhibit E-1

<b>Assets</b>	
Cash	<u>\$          6,429</u>
<i>Total assets</i>	<u><u>\$          6,429</u></u>
<b>Liabilities</b>	
Due to other entities	<u>\$          6,429</u>
<i>Total liabilities</i>	<u><u>\$          6,429</u></u>

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

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies**

The City of Deming (the City) was incorporated in 1902 under provisions of Chapter 3, Article 2, NMSA, 1978 as amended and regulated by the constitution of the State of New Mexico. The City operates under a Council-mayor form of government and provides the following services as authorized by public law: public safety (police and fire), public works, water, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning and general administrative services.

The City of Deming is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico.
6. Protect generally the property of its City and its inhabitants;
7. Preserve peace and order within the City; and
8. Establish rates for services provided by the City utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of City of Deming is presented to assist in the understanding of City of Deming's financial statements. The financial statements and notes are the representation of City of Deming's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities.

During the year ended June 30, 2017, the City adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 79, *Certain External Investment Pools and Pool Participants*, No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, are required to be implemented for the fiscal year ending June 30, 2017.

The pronouncement adopted that materially affects the financial statements and disclosures of the City for the year ended June 30, 2017 is GASB Statement No. 77 *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. At year end June 30, 2017, the City did not have any disclosure requirements related to GASB No. 77.



**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

In addition, effective for June 30, 2017 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets.

It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

*A. Financial Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations 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.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the City has no component units, and is not a component unit of another governmental agency.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*B. Government-wide and fund financial statements*

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

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The City's net position is reported in three parts – net investments in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue for the City's enterprise funds is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

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

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

Under the requirements of GASB Statement No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which includes funds that were not required to be presented as major but were at the discretion of management:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The *Street Special Revenue Fund* is used to account for the receipts and disbursements for City street improvements. Financing is provided by motor vehicle and state grants. The fund is authorized by Section 7-1-6.27, NMSA 1978.

The City reports its proprietary funds as major funds. Proprietary funds include:

The *Gas Fund* accounts for the provision of gas services to the City residents. 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.

The *Solid Waste Fund* accounts for the disposal of solid waste for the City residents.

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 *Cemetery 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.

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.

Additionally, the City reports the following agency funds:

The *Judicial Bond Fund* accounts for monies held and disbursed on behalf of local law enforcement agencies.

The *Gila/San Francisco Water Commission Arizona Water Settlement Act Reservation Fee Fund* accounts for monies held and disbursed on behalf of the Gila San Francisco Water Commission to manage reservation fee to develop 14,000 acres of allocated water for citizens.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity*

**Deposits and Investments:** The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables 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 funds and reduces its related cost as a 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.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days after year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectable amounts.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10<sup>th</sup> are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st. Property taxes are collected by Luna County and are remitted monthly to the City.

Ambulance receivables consist of fees charged for various ambulance and related services provided to the citizens of Deming by the City. These fees are reported at their gross value reduced by the estimated portion that is expected to be uncollectible.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

**Inventory:** The City’s method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes, but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Restricted cash in the amount of \$1,311,277 at June 30, 2017 is reported in the statement of net position.

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. City of Deming was a phase II government for purposes of implementing GASB 34. Therefore, the City was required to report its major general infrastructure assets retroactively to June 30, 1980. The City has made the required restatement for infrastructure assets retroactive to June 30, 1980, in order to properly implement GASB 34. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated assets are recorded at fair market value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. There was no interest expense capitalized by the City during fiscal year 2017. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment 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 improvements	10-50
Utility system	40
Infrastructure (including airport)	40-50
Equipment	5-10

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable PERA, FICA, RHC and Medicare accruals.

**Deferred Outflow of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has four items that qualify for reporting in this category in the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

**Deferred Inflow of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has one type of deferred inflow which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue - property taxes is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resource in the period that the amount becomes available. The City has recorded \$108,591 related to property taxes considered "unavailable". In addition, the City has four items present on the Statement of Net Position for both the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, all deferred inflows and outflows affected by the net pension liability are discussed further in the pension disclosure.

**Compensated Absences:** Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of ten days to twenty days per year, depending on length of service. No more than thirty (30) working days, or two hundred forty (240) hours of annual leave, may be carried forward from one fiscal year to the next. All excess annual leave shall be forfeited, if not used, unless extenuating circumstances warrant approval of an extension by the Mayor and Council of the City of Deming.

Qualified employees are entitled to accumulate regular sick leave at a rate of ten days per year. Regular sick leave can be carried over with no limit. Upon termination employees receive no pay for sick time. Employees eligible for retirement who still maintain an "old sick" leave balance will be paid for the entire balance. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

**Long-term Obligations:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference is minimal. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

**Fund Balance Classification Policies and Procedures:** In the governmental fund financial statements, fund balance is reported in five classifications:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, for example, inventories, prepaid amounts, long term amount of loans and note receivable; or (b) legally or contractually required to be maintained intact, for example, debt service reserves. The City has nonspendable fund balance of \$38,227 at June 30, 2017.

**Restricted** – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The City has \$1,215,989 in restricted fund balances at June 30, 2017.

**Committed** – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the highest level of Authority, the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The City has \$1,109,706 in committed funds at June 30, 2017 for subsequent year's expenditures.

**Assigned** – This classification includes amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The City Council has delegated the authority to assign amounts to be used for specific purposes to the Finance Director/Treasurer. The City has \$107,028 in assigned fund balances at June 30, 2017.

**Minimum Fund Balance Policy:** The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12<sup>th</sup> the General Fund expenditures. The City has also presented committed fund balance on the governmental funds balance sheet including \$1,109,706 for minimum fund balance for the year ended June 30, 2017. As these amounts are an



**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

accumulation of resources and not a true restriction or commitment of expenditures, they are reflected within the unassigned fund balance of the general fund.

**Net Position:** Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, and capital projects" are described on pages 36 and 76-77.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the City include the depreciable lives of capital assets, estimated allowance for uncollectible accounts receivables, the City's estimate landfill closure and post closure costs, and the City's net pension liability and related deferred inflows and outflows of resources.

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Council, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

Both proprietary and governmental fund budgets are prepared on the Non-GAAP cash budgetary basis. Budgetary basis expenditures exclude encumbrances. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 2. Stewardship, Compliance, and Accountability (continued)**

The budgetary information presented in these financial statements has been properly amended by City Councilors in accordance with the above procedures. These amendments resulted in the following changes:

	<b>Excess (deficiency) of revenues over expenditures Operating income (loss)</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
Budgeted Funds:		
General Fund	\$ 1,724,943	\$ 1,818,090
Street Fund	\$ (1,131,165)	\$ (1,129,270)

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statements of Revenues, Expenses and Changes in Net Position – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

**NOTE 3. Deposits and Investments**

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017. There are no specific state laws governing the ability to spend net appreciation and investment income.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest on 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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

Excess funds may be temporarily invested 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.

All of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit that are uninsured by FDIC limits. All depositories, had collateral exceeding the amount required by law. As of June 30, 2017, \$23,939,646 of the City's bank balance of \$25,148,969 was exposed to custodial credit risk. Although the \$23,939,646 was uninsured, \$15,767,568 of this amount was collateralized by collateral held by the pledging bank's trust department, not in the City's name. The remaining \$8,172,078 of the City's deposits were uninsured and uncollateralized at June 30, 2017.

	<b>First New Mexico Bank</b>	<b>First Savings Bank</b>	<b>Wells Fargo Bank</b>
Amount of deposits	\$ 17,221,439	\$ 5,594,004	\$ 2,124,203
FDIC Coverage	(500,000)	(250,000)	(250,000)
Total uninsured public funds	<u>16,721,439</u>	<u>5,344,004</u>	<u>1,874,203</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the City's name	8,549,361	5,344,004	1,874,203
Uninsured and uncollateralized	<u>\$ 8,172,078</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 8,360,720	\$ 2,672,002	\$ 937,102
Pledged Collateral	8,549,361	7,208,429	1,979,501
Over (Under) collateralized	<u>\$ 188,641</u>	<u>\$ 4,536,427</u>	<u>\$ 1,042,399</u>

**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 3. Deposits and Investments (continued)**

	<b>Western</b>		<b>Total</b>
	<b>Heritage Bank</b>	<b>Scottrade Bank</b>	
Amount of deposits	\$ 203,697	\$ 5,626	\$ 25,148,969
FDIC Coverage	(203,697)	(5,626)	(1,209,323)
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>23,939,646</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the City's name	-	-	15,767,568
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,172,078</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ 11,969,824
Pledged Collateral	-	-	17,737,291
Over (Under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,767,467</u>

The collateral pledged is listed on Schedule IV of this report. The types of collateral are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

**Investments**

The City has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans. Also, the City has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City.

As of June 30, 2017, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Weighted Average</b>		<b>Rating**</b>
	<b>Maturities</b>	<b>Fair Value</b>	
Government National Mortgage Association Securities	<1 year	\$ 3,622	Not Rated
Federal Home Loan	<6 years	754,111	Aaa
FNMA	<6 years	1,005,864	Aaa
U.S. Treasury Notes	<1 year	1,209,051	Not Rated
Municipal Bonds	<1 year	231,923	Aa
		<u>\$ 3,204,571</u>	

\*\*Based of Standard & Poor's rating

The investments are listed on Schedule III of this report. The types of investment and fair value per security are included in the schedule.

The City has presented certificates of deposits of \$212,338 as investments in the Statement of Net Position; however, these are classified as deposits for disclosure purposes. The City has funds which are managed by NMFA which are considered restricted cash and cash equivalents totaling \$183,612. The total amount is invested in US Treasury Notes.

**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

*Interest Rate Risk – Investments.* 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.

*Concentration of Credit Risk – Investments.* For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. All investments listed above, excluding the Government National Mortgage Association Securities, are above the 5% threshold. Since the City only purchases investments with high credit rating, the concentration is not viewed to be an additional risk by the City. The City’s policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The City utilizes pooled accounts for their funds. The General, Special Revenue, Capital Projects, and Agency Funds are all in multiple accounts.

**Fair Value Measurement**

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the City’s assets at fair value as of June 30, 2017:

<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
\$ 3,204,571	\$ 1,440,974	\$ 1,763,597	\$ -

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

**Reconciliation to the Statement of Net Position**

Cash and cash equivalents per Exhibit A-1	\$ 22,961,661
Restricted cash and cash equivalents per Exhibit A-1	1,311,277
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	6,429
Investments per Exhibit A-1	<u>3,416,910</u>
 Total cash, investments, and cash equivalents	 <u>27,696,277</u>
 Add: outstanding checks and other reconciling items	 844,550
Less: NMFA restricted accounts	(183,612)
Less: Government National Mortgage Association Securities	(3,622)
Less: Federal Home Loan	(754,111)
Less: FNMA	(1,005,864)
Less: U.S. Treasury Notes	(1,209,051)
Less: Municipal Bonds	(231,923)
Less: petty cash	<u>(3,675)</u>
 Bank balance of deposits	 <u>\$ 25,148,969</u>

**NOTE 4. Receivables**

Governmental receivables as of June 30, 2017 are comprised of the following:

	<b>General</b>	<b>Street</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Ambulance receivable	\$ 769,523	\$ -	\$ -	\$ 769,523
Less: allowance for uncollectable	(606,908)	-	-	(606,908)
Ambulance receivable, net	<u>162,615</u>	<u>-</u>	<u>-</u>	<u>162,615</u>
Taxes receivable:				
Gross receipts taxes	1,464,131	-	-	1,464,131
Property taxes	134,088	-	-	134,088
Franchise taxes	31,939	-	-	31,939
Lodgers taxes	-	-	10,604	10,604
Oil and gas taxes	-	51,413	-	51,413
MVD taxes	-	19,345	-	19,345
Total taxes receivable	<u>1,630,158</u>	<u>70,758</u>	<u>10,604</u>	<u>1,711,520</u>
Due from other governments:				
State grants	-	85,902	103,844	189,746
Federal grants	113,751	-	-	113,751
Total due from other governments	<u>113,751</u>	<u>85,902</u>	<u>103,844</u>	<u>303,497</u>
 Accounts receivable, net	 <u>\$ 1,906,524</u>	 <u>\$ 156,660</u>	 <u>\$ 114,448</u>	 <u>\$ 2,177,632</u>

**STATE OF NEW MEXICO**  
City of Deming  
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June 30, 2017

**NOTE 4. Receivables (continued)**

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$108,591 that were not collected within the period of availability have been reclassified as unearned revenue in the governmental fund financial statements as of June 30, 2017.

The City has notes receivable in the amount of \$615,000 from Border Foods and Proper Foods. Funding was previously awarded to Proper Foods from the Local Economic Development Act (LEDA). The funding was originally paid to the City and flowed through to Proper Foods. However, Proper Foods went out of business in 2014, before the funds could be spent. When Proper Foods went out of business, the note receivable was recorded. The City considers the note receivable to be 100% uncollectible.

Business-type activity receivables as of June 30, 2017 are comprised of the following:

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>
Customer receivable	\$ 220,803	\$ 169,011	\$ 272,442	\$ 283,011
Less: allowance for uncollectable accounts	(49,129)	(22,130)	(22,204)	(31,173)
Accounts receivable, net	<u>\$ 171,674</u>	<u>\$ 146,881</u>	<u>\$ 250,238</u>	<u>\$ 251,838</u>
	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>	
Customer receivable	\$ 74,910	\$ -	\$ 1,020,177	
Due from other governments				
State grants	-	22,019	22,019	
Less: allowance for uncollectable accounts	(60,695)	-	(185,331)	
Accounts receivable, net	<u>\$ 14,215</u>	<u>\$ 22,019</u>	<u>\$ 856,865</u>	

The allowance for uncollectable accounts as of June 30, 2017 is \$185,331

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The City records temporary interfund receivables and payables to cover cash deficits related to accounts payable. All interfund balances are to be repaid within one year.

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Community Building Fund	\$ 2,449
General Fund	CDBG Grant 13/14 Fund	<u>7,374</u>
Total		<u>\$ 9,823</u>

**STATE OF NEW MEXICO**  
City of Deming  
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June 30, 2017

**NOTE 5. Interfund Receivables, Payables, and Transfers**

Net operating transfers, made to supplement other funding sources, and capital asset transfers were as follows:

<b>Transfers Out</b>	<b>Transfers In</b>	<b>Amount</b>
Cemetery	General Fund	\$ 2,668
Fire Protection Fund	Fire Station Remodel Loan- NMFA	61,363
Gas	General Fund	9,457
General Fund	General Fund	19,651
General Fund	CDBG Grant 13/14	24,005
General Fund	Swimming Pool Fund	30,000
General Fund	LibraryFund	130,000
General Fund	Recreation Fund	140,000
General Fund	Community Building Fund	415,000
General Fund	Sewer	800,000
General Fund	Streets	850,000
Lodgers Tax Fund	Lodgers Tax Promotional Fund	152,606
Sewer	General Fund	9,457
Solid Waste	General Fund	5,336
Streets Fund	General Fund	2,668
Water	General Fund	9,457
	Total	<u>\$ 2,661,668</u>



**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2017. Land and construction in progress are not subject to depreciation.

**Governmental Activities:**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 6,646,608	\$ 171,503	\$ (38,397)	\$ 6,779,714
Construction in progress	990,412	274,248	-	1,264,660
Total not being depreciated	<u>7,637,020</u>	<u>445,751</u>	<u>(38,397)</u>	<u>8,044,374</u>
Capital assets being depreciated:				
Buildings and improvements	14,170,745	-	-	14,170,745
Equipment	9,563,256	531,142	(794,994)	9,299,404
Infrastructure	56,606,376	453,365	-	57,059,741
Total being depreciated	<u>80,340,377</u>	<u>984,507</u>	<u>(794,994)</u>	<u>80,529,890</u>
Total capital assets	<u>87,977,397</u>	<u>1,430,258</u>	<u>(833,391)</u>	<u>88,574,264</u>
Accumulated depreciation:				
Buildings and improvements	5,075,305	323,411	-	5,398,716
Equipment	7,586,265	548,425	(791,098)	7,343,592
Infrastructure	32,333,950	1,146,898	-	33,480,848
Total accumulated depreciation	<u>44,995,520</u>	<u>2,018,734</u>	<u>(791,098)</u>	<u>46,223,156</u>
Capital assets, net	<u>\$ 42,981,877</u>	<u>\$ (588,476)</u>	<u>\$ (42,293)</u>	<u>\$ 42,351,108</u>

Depreciation expense for the year ended June 30, 2017 was charged to the functions of the governmental activities as follows:

General	\$ 983,542
Public Safety	406,580
Public works	247,955
Culture and Recreation	328,078
Health and Welfare	52,579
Total	<u>\$ 2,018,734</u>

**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 6. Capital Assets (continued)**

**Business-type Activities:**

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 7,264,650	\$ -	\$ (191,976)	\$ 7,072,674
Construction in progress	1,538,793	411,954	(1,170,788)	779,959
Total not being depreciated	<u>8,803,443</u>	<u>411,954</u>	<u>(1,362,764)</u>	<u>7,852,633</u>
Capital assets being depreciated:				
Buildings and improvements	13,066,743	964,401	-	14,031,144
Utility System	28,505,535	-	-	28,505,535
Airport infrastructure	4,745,648	-	-	4,745,648
Equipment	7,599,063	127,890	(90,488)	7,636,465
Total being depreciated	<u>53,916,989</u>	<u>1,092,291</u>	<u>(90,488)</u>	<u>54,918,792</u>
Total capital assets	<u>62,720,432</u>	<u>1,504,245</u>	<u>(1,453,252)</u>	<u>62,771,425</u>
Accumulated depreciation:				
Buildings and improvements	4,016,869	263,783	-	4,280,652
Utility System	12,412,854	782,571	-	13,195,425
Airport infrastructure	621,539	107,208	(4,176)	724,571
Equipment	4,655,632	489,629	(83,834)	5,061,427
Total accumulated depreciation	<u>21,706,894</u>	<u>1,643,191</u>	<u>(88,010)</u>	<u>23,262,075</u>
Capital assets, net	<u>\$ 41,013,538</u>	<u>\$ (138,946)</u>	<u>\$ (1,365,242)</u>	<u>\$ 39,509,350</u>

Depreciation expense for the year ended June 30, 2017 was charged to the proprietary funds as follows:

Gas	\$ 305,158
Sewer	381,509
Solid Waste	310,300
Water	490,934
Cemetery	11,519
Airport	143,771
Total	<u>\$ 1,643,191</u>

**STATE OF NEW MEXICO**  
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June 30, 2017

**NOTE 7. Long-term Debt**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

**Governmental Activities:**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
NMFA Loans	\$ 963,678	\$ -	\$ 41,168	\$ 922,510	\$ 36,855
GRT Hold harmless Bonds	-	538,000	-	538,000	-
Compensated Absences	382,006	324,908	292,858	414,056	-
<b>Total</b>	<b>\$ 1,345,684</b>	<b>\$ 862,908</b>	<b>\$ 334,026</b>	<b>\$ 1,874,566</b>	<b>\$ 36,855</b>

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the business-type activities:

**Business-type Activities:**

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
NMFA Loans	\$ 1,905,266	\$ 44,000	\$ 94,693	\$ 1,854,573	\$ 94,806
Rural Infrastructure Revolving Loan	1,664,014	-	1,664,014	-	-
Landfill closure and postclosure	429,971	18,959	10,860	438,070	-
Compensated Absences	103,521	76,672	61,834	118,359	-
<b>Total</b>	<b>\$ 4,102,772</b>	<b>\$ 139,631</b>	<b>\$ 1,831,401</b>	<b>\$ 2,411,002</b>	<b>\$ 94,806</b>

Loans

The City entered into a loan agreement with the New Mexico Finance Authority in the amount of \$2,412,284 from the Drinking Water State Revolving Loan Fund for water meter replacements. A portion of the loan fund made available pursuant to the DWSRLF Act and the Safe Drinking Water Act may be forgiven and, if forgiven, will not be required to be repaid. The maximum aggregate forgiven amount is \$1,206,142, and the maximum aggregate repayable principal is \$1,206,142. The loan matures May 1, 2035 and has a monthly interest rate of 1.149%. The remaining balance was spent during the year ended June 30, 2017. The City first spends the money and then New Mexico Finance Authority reimburses the City. The City started paying this loan back as of May 2017 and the loan will continue to be amortized over the next twenty years.

The City entered into a loan agreement with the New Mexico Environment Department in the amount of \$1,800,000 from the Rural Infrastructure Revolving Loan Fund for Wastewater Treatment Plant liner replacement. The loan matures July 9, 2033 and has a monthly interest rate of 3%.

The City has entered into several loan agreements with the New Mexico Finance Authority for solid waste disposal facility improvements, flood control, drainage control, and road improvements wherein the City pledged revenue derived from solid waste revenues and gross receipts tax revenues to cover debt service.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 7. Long-term Debt (continued)**

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2017
NMFA Loan #11	06/24/11	05/01/35	2.634%	\$ 1,000,000	\$ 858,200
NMFA Loan #14	09/20/13	05/01/35	1.149%	1,206,142	1,103,756
NMFA Loan #15	12/19/14	06/01/34	0.250%	320,142	280,662
NMFA Loan #18	05/01/15	06/01/35	0.250%	407,082	367,305
NMFA Loan #19	11/20/15	06/01/35	0.000%	48,781	44,958
NMFA Loan #20	11/20/15	06/01/35	0.000%	69,778	64,310
NMFA Loan #21	05/20/16	06/01/36	0.000%	15,102	13,892
NMFA Loan #22	01/06/17	06/01/38	0.000%	44,000	44,000
GRT Holdharmless Bonds	03/17/17	06/01/18	1.984%	538,000	538,000
Total Loans and Bonds Payable					<u><u>\$ 3,315,083</u></u>

There are no federal arbitrage regulations applicable to the loans at June 30, 2017.

The annual requirements to amortize the governmental activity loans and GRT Holdharmless Bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 39,673	\$ 24,491	\$ 64,164
2019	214,673	36,455	251,128
2020	221,473	29,722	251,195
2021	226,573	24,973	251,546
2022	43,773	20,016	63,789
2023-2027	240,465	76,381	316,846
2028-2032	286,164	25,950	312,114
2033-2036	187,716	-	187,716
Total	<u><u>\$ 1,460,510</u></u>	<u><u>\$ 237,988</u></u>	<u><u>\$ 1,698,498</u></u>

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
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**NOTE 7. Long-term Debt (continued)**

The annual requirements to amortize the business-type activity NMFA loans as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2018	\$ 94,806	\$ 14,088	\$ 108,894
2019	97,490	13,669	111,159
2020	98,344	12,816	111,160
2021	99,055	12,106	111,161
2022	99,775	11,384	111,159
2023-2027	510,105	45,689	555,794
2028-2032	529,958	25,839	555,797
2033-2037	322,780	5,315	328,095
2038	2,260	6	2,266
Total	<u>\$ 1,854,573</u>	<u>\$ 140,912</u>	<u>\$ 1,995,485</u>

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences for governmental activities increased \$32,050 from the prior year accrual. For business-type activities compensated absences increased by \$14,838.

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.

Butterfield Landfill

The recognition of these landfill closure and post-closure care costs is based on the estimated capacity of the landfill used to date compared to the total estimated capacity. The liability for landfill closure and post-closure costs for the Butterfield Landfill as of June 30, 2017 is \$166,564. The closure and post-closure liability is based on a cumulative capacity used to date for operating landfills as a percentage of projected capacity at the time of landfill closure. The estimated percent of the landfill used to date is 18% and the estimated remaining life of the landfill is estimated to be 33 years. The estimated total current costs of closure and post-closure costs to be recognized is \$937,561. 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 post-closure costs.

Old Deming Landfill

In the prior year the old Deming landfill was closed. The total remaining liability relating to the post closure costs yet to be amortized is \$271,506 and the post closure cost recognized during the current fiscal year is \$10,860.

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt (continued)**

Tulip Landfill

During the 2017 fiscal year, the Tulip Landfill was transferred from the custody of Luna County to the City. No remediation plan or closure and post-closure care costs have been required by the New Mexico Environmental Department. As such, a liability is not required.

**NOTE 8. 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 and natural disasters. The City is a member and is insured through the New Mexico City Insurance Authority. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Authority acts as the common carrier for the State of New Mexico cities. The City pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The City is not liable for more than the premiums paid. The City has not had any insurance settlements that exceeded insurance coverage amounts in the preceding three fiscal years.

**NOTE 9. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds had deficit fund balances for the year ended June 30, 2017:

**Non-major Funds**

Swimming Pool Fund	\$ 15,701
CDBG Grant 13/14	<u>6,092</u>
Total Governmental Funds	<u><u>\$ 21,793</u></u>

- B. Excess of expenditures over appropriations. There were no funds in which fund expenditures were in excess of the budgeted appropriations for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balances. There were no funds with designated cash appropriation in excess of available balances for the year ended June 30, 2017.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employees Retirement Association**

*Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Benefits Provided** – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II**

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%.

All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**Contributions** – See PERA's compressive annual financial report for Contribution provided description.

**STATE OF NEW MEXICO**  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –***

At June 30, 2017, the City reported a liability of \$16,609,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016.



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City of Deming  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 1.8386%, which was an increase of 0.0192% from its proportion measured as of June 30, 2015.

**For PERA Fund Municipal General Division**, at June 30, 2016, The City reported a liability of \$6,532,847 for its proportionate share of the net pension liability. At June 30, 2016, The City's proportion was 0.4089 percent, which was an increase of 0.0023 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, The City recognized PERA Fund Municipal General Division pension expense of \$745,161. At June 30, 2017, The City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Changes of assumptions	\$ 383,075	\$ 1,086
Changes in proportion	18,172	125,364
Difference between expected and actual experience	326,408	63,757
Net difference between projected and actual earnings on pension plan investments	1,202,031	-
City's contributions subsequent to the measurement date	325,627	-
Total	\$ 2,255,313	\$ 190,207

\$325,627 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 352,329
2018	352,329
2019	730,147
2020	304,674
Thereafter	-
Total	\$ 1,739,479

**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

**For PERA Fund Municipal Police Division**, at June 30, 2016, The City reported a liability of \$5,621,525 for its proportionate share of the net pension liability. At June 30, 2016, The City’s proportion was 0.7619 percent, which was an increase of 0.0278 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, The City recognized PERA Fund Municipal Police Division pension expense of \$797,659. At June 30, 2017, The City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 372,338	\$ 101,383
Changes in proportion	101,391	-
Difference between expected and actual experience	412,703	-
Net difference between projected and actual earnings on pension plan investments	889,076	-
City's contributions subsequent to the measurement date	<u>275,316</u>	<u>-</u>
Total	<u>\$ 2,050,824</u>	<u>\$ 101,383</u>

\$275,316 reported as deferred outflows of resources related to pensions resulting from The City’s contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 408,596
2018	408,596
2019	626,606
2020	230,327
Thereafter	-
Total	<u>\$ 1,674,125</u>

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

**For PERA Fund Municipal Fire Division**, at June 30, 2016, The City reported a liability of \$4,454,905 for its proportionate share of the net pension liability. At June 30, 2016, The City’s proportion was 0.6678 percent, which was a decrease of 0.0109 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, The City recognized PERA Fund Municipal Police Division pension expense of \$797,659. At June 30, 2017, The City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Changes of assumptions	\$ 235,646	\$ -
Changes in proportion	-	84,189
Difference between expected and actual experience	201,740	-
Net difference between projected and actual earnings on pension plan investments	371,070	-
City's contributions subsequent to the measurement date	170,211	-
<b>Total</b>	<b>\$ 978,667</b>	<b>\$ 84,189</b>

\$170,211 reported as deferred outflows of resources related to pensions resulting from The City’s contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2016	\$ 191,165
2017	191,165
2018	246,999
2019	94,938
2020	-
	<b>\$ 724,267</b>

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

<b>PERA</b>	
<b>Actuarial valuation date</b>	June 30, 2015
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay, Open
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	Fair Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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

<b>ALL FUNDS - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
<b>Total</b>	<b>100.00%</b>	

**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

*Discount rate.* A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

***Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate.*** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present The City’s net pension liability in each PERA Fund Division that The City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City's proportionate share of the net pension liability	\$ 9,739,893	\$ 6,532,847	\$ 3,872,761
<b>PERA Fund Municipal Police Division</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City's proportionate share of the net pension liability	\$ 8,270,659	\$ 5,621,525	\$ 3,454,844
<b>PERA Fund Municipal Fire Division</b>	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
City's proportionate share of the net pension liability	\$ 5,826,993	\$ 4,454,905	\$ 3,327,878

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

Payables to the pension plan. The City remits the legally required employer and employee contributions on a monthly basis to PERA. The PERA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the City owed the PERA \$42,197 for the contributions withheld in the month of June 2017.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2017

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan**

*Plan Description.* City of Deming contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 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.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 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](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA

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City of Deming  
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June 30, 2017

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City of Deming's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$124,911, \$126,666, and \$122,791, respectively, which equal the required contributions for each year.

**NOTE 12. Joint Powers Agreements**

**City of Deming and Luna City Multi-Services Agreement 2014-2017**

Participants	City of Deming, Luna City
Responsible party	City of Deming, Luna City
Description	Luna City has the exclusive rights, licensee, and privilege to provide care of city prisoners, consolidated dispatch, and use of special events center. The City will pay Luna City set hourly fees for these services. Luna City agrees to pay the City of Deming for library operation costs, ETZ administrative services, recreation programs, solid waste management and ambulance service. For fire prevention and suppression, Luna City and the City of Deming agree to render mutual aid.
Term of agreement	July 1, 2014 through June 30, 2017, renewable
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	City of Deming

**City of Deming and Rural Transportation District**

Participants	City of Deming, Grant City, City of Luna, Town of Silver City
Responsible party	Grant City
Description	The Grant City Public Transportation System will operate public transportation services within Grant and Luna City, City of Deming and Silver City as resources permit; thereby creating increased access to the enterprises, services, and events of the area.
Term of agreement	July 1, 2015 through June 30, 2017, renewable
Amount of project	Unknown
City contributions	\$60,000 initial contribution
Audit responsibility	Grant City Auditors

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
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**NOTE 12. Joint Powers Agreements (continued)**

**Affordable Solar Energy**

Participants	City of Deming, Grant City, Affordable Solar Installation, Inc., a New Mexico Corporation.
Responsible party	City of Deming, Affordable Solar Installation, Inc.
Description	Affordable Solar Installation, Inc. to build, finance, own and operate a solar energy facility (the "SEF") on City of Deming property. City of Deming will purchase energy output from this facility.
Term of agreement	June 26, 2013 through June 30, 2038, twenty-five year contract
Amount of project	Unknown

**CAP Entity**

Participants	City of Deming, Village of Santa Clara, City of Lordsburg, Catron City, Grant City, Hidalgo City, Luna City, Upper Gila Irrigation Association, Fort West Irrigation Association, Gila Farm Irrigation Association, Hila Hotsprings Irrigation Association, Hidalgo Soil & Water Conservation District, San Francisco Soil & Water Conservation District, and Interstate Stream Commission.
Responsible party	All Participants
Description	Agreement entered into to form the New Mexico CAP entity and to allow the CAP entity to exercise its authority and power to execute and implement the NM Unit Agreement.
Term of agreement	Indefinite
Amount of project	Unknown
Fiscal Agent	City of Deming

**NOTE 13. Contingent Liabilities**

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico City Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.



**STATE OF NEW MEXICO**  
City of Deming  
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June 30, 2017

**NOTE 14. Federal and State Grants**

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 15. Construction and Other Significant Commitments**

The City has committed to pay for several construction contracts that were not completed at June 30, 2017 in the amount of \$2,791,517 as follows:

<u>Contract</u>	<u>Year Ending</u>	<u>Amount</u>
SW Concrete & Paving , Inc.	6/30/2017	\$ 1,140,000
Smith Engineering Company	6/30/2017	212,603
CES	6/30/2017	186,386
HK Advertising	6/30/2017	133,500
Occam Engineers Inc.	6/30/2017	120,694
Souder Miller & Associates	6/30/2017	108,592
Deming Luna County Humane Society	6/30/2017	95,000
Daniel B. Stephens & Asso, Inc.	6/30/2017	91,597
Rio Mimbres Corporation	6/30/2017	89,000
Deming Luna County Commission on Aging	6/30/2017	85,000
EMS Billing	6/30/2017	65,000
Rural Transportation District	6/30/2017	60,000
Sky's the Limit Cleaning Service	6/30/2017	55,857
Luna County Historical Society	6/30/2017	54,500
Deming Public Schools	6/30/2017	40,000
Visitor's Center	6/30/2017	35,000
Gordon Environmental/PSC	6/30/2017	33,302
Deming MainStreet Program	6/30/2017	30,000
New Mexico Main Street Program	6/30/2017	30,000
Other	6/30/2017	125,485
		<u>\$ 2,791,517</u>

**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 16. Subsequent Events**

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 11, 2017 which is the date on which the financial statements were issued. No issues were noted for disclosure at December 11, 2017.

**NOTE 17. Concentrations**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

**NOTE 18. Restricted Net Position**

The government-wide statement of net position reports \$1,626,553 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue and capital projects funds see pages 36 and 76-77.

**NOTE 19. Subsequent Pronouncements**

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City expects this pronouncement to have a material effect on the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The standard will be implemented during the fiscal year ended June 30, 2020. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. The City is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City does not expect this pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: For reporting periods beginning after December 15, 2019. The City does not expect this pronouncement to have a material effect on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**

City of Deming

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal General Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>
	<b>Measurement</b>	<b>Measurement</b>
	<b>Date (As of and</b>	<b>Date (As of and</b>
	<b>for the year</b>	<b>for the year</b>
	<b>ended</b>	<b>ended</b>
	<b>June 30, 2016)</b>	<b>June 30, 2015)</b>
City of Deming's proportion of the net pension liability	0.4089%	0.4066%
City of Deming's proportionate share of the net pension liability	\$ 6,532,847	\$ 4,145,639
City of Deming's covered-employee payroll	\$ 3,498,183	\$ 3,406,825
City of Deming's proportionate share of the net pension liability as a percentage	186.75%	121.69%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Deming will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**

City of Deming

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Police Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>
	<b>Measurement</b>	<b>Measurement</b>
	<b>Date (As of and</b>	<b>Date (As of and</b>
	<b>for the year</b>	<b>for the year</b>
	<b>ended</b>	<b>ended</b>
	<b>June 30, 2016)</b>	<b>June 30, 2015)</b>
City of Deming's proportion of the net pension liability	0.7619%	0.7341%
City of Deming's proportionate share of the net pension liability	\$ 5,621,525	\$ 3,529,964
City of Deming's covered-employee payroll	\$ 1,518,105	\$ 1,440,802
City of Deming's proportionate share of the net pension liability as a percentage	370.30%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Deming will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**

City of Deming

Schedule of the City's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Fire Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2017</b>	<b>2016</b>
	<b>Measurement</b>	<b>Measurement</b>
	<b>Date (As of and</b>	<b>Date (As of and</b>
	<b>for the year</b>	<b>for the year</b>
	<b>ended</b>	<b>ended</b>
	<b>June 30, 2016)</b>	<b>June 30, 2015)</b>
City of Deming's proportion of the net pension liability	0.6678%	0.6787%
City of Deming's proportionate share of the net pension liability	\$ 4,454,905	\$ 3,502,894
City of Deming's covered-employee payroll	\$ 775,699	\$ 775,657
City of Deming's proportionate share of the net pension liability as a percentage	574.31%	451.60%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Deming will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of the City's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal General Division  
Last 10 Fiscal Years\*

	<b>As of and for the year ended <u>June 30, 2017</u></b>	<b>As of and for the year ended <u>June 30, 2016</u></b>
Contractually required contribution	\$ 325,627	\$ 386,196
Contributions in relation to the contractually required contribution	<u>(325,627)</u>	<u>(386,196)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Deming's covered-employee payroll	\$ 3,527,764	\$ 3,498,183
Contributions as a percentage of covered-employee payroll	9.23%	11.04%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Deming will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of the City's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal Police Division  
Last 10 Fiscal Years\*

	<b>As of and for the year ended June 30, 2017</b>	<b>As of and for the year ended June 30, 2016</b>
Contractually required contribution	\$ 275,316	\$ 332,308
Contributions in relation to the contractually required contribution	(275,316)	(332,308)
Contribution deficiency (excess)	\$ -	\$ -
City of Deming's covered-employee payroll	\$ 1,456,696	\$ 1,518,105
Contributions as a percentage of covered-employee payroll	18.90%	22%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Deming will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.



**STATE OF NEW MEXICO**  
City of Deming  
Schedule of the City's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal Fire Division  
Last 10 Fiscal Years\*

	<b>As of and for the year ended June 30, 2017</b>	<b>As of and for the year ended June 30, 2016</b>
Contractually required contribution	\$ 170,211	\$ 179,626
Contributions in relation to the contractually required contribution	(170,211)	(179,626)
Contribution deficiency (excess)	\$ -	\$ -
City of Deming's covered-employee payroll	\$ 786,196	\$ 775,699
Contributions as a percentage of covered-employee payroll	21.65%	23%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Deming will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2017

**PERA**

*Changes of benefit terms:* The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

*Assumptions:* The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

See independent auditors' report.  
See notes to required supplementary information.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Fund Descriptions  
June 30, 2017

**Special Revenue Funds**

Emergency Medical Services Fund

To account 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.

Fire Protection Fund

The fire protection 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.

Law Enforcement Protection Fund

To account 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.

Library Fund

To account 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.

Lodgers Tax Fund

To account 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.

Lodgers Tax Promotional Fund

To account 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.

Recreation Fund

To account 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.

Library Donation Fund

To account for library donations. The fund is authorized by City Council.

Economic Development Fund

To account 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  
Nonmajor Fund Descriptions  
June 30, 2017

**Special Revenue Funds (continued)**

Community Building Fund

To account 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.

Swimming Pool Fund

To account 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.

**Capital Projects Funds**

Community Development Block Grants (two funds)

To account for the receipts and disbursements for various planning improvements to areas such as comprehensive planning, street and drainage improvements and geographical information systems including building and structure improvements for the Morgan Hall project. Financing is provided by federal grants. This activity was split into two funds to separately track grants received in separate fiscal years. The funds are authorized by City Council.

Park Acquisition Fund

To account 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.

**Debt Service Funds**

Revenue Bond

The Revenue bond is a fund for the proceeds from the Hold Harmless GRT tax Bond pledged by the 3/8 increment HHGRT revenue. This fund will also disburse the proceeds to street projects.

Fire Station Remodel Loan Fund-NMFA

To account for principal and interest payments due to NMFA on \$1,000,000 loan for fire station remodel. The fund is authorized by City Council.

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2017

**Special Revenue**

	<b>Emergency Medical Services Fund</b>	<b>Fire Protection Fund</b>	<b>Law Enforcement Protection Fund</b>	<b>Library Fund</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 5,245	\$ 330,200	\$ 1,197	\$ 16,471
Investments	-	-	-	31,568
Receivables:				
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 5,245</u>	<u>\$ 330,200</u>	<u>\$ 1,197</u>	<u>\$ 48,039</u>
<i>Liabilities</i>				
Accounts payable	\$ 4,799	\$ 57,231	\$ -	\$ 4,730
Accrued payroll expenses	-	-	-	2,695
<i>Total liabilities</i>	<u>4,799</u>	<u>57,231</u>	<u>-</u>	<u>7,425</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	446	272,969	1,197	-
Culture and recreation	-	-	-	40,614
Promotion	-	-	-	-
Transportation and roads	-	-	-	-
Debt service	-	-	-	-
Assigned to:				
Economic development	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>446</u>	<u>272,969</u>	<u>1,197</u>	<u>40,614</u>
<i>Total liabilities and fund balances</i>	<u>\$ 5,245</u>	<u>\$ 330,200</u>	<u>\$ 1,197</u>	<u>\$ 48,039</u>

See independent auditors' report.

**Special Revenue**

<b>Lodgers Tax Fund</b>	<b>Lodgers Tax Promotional Fund</b>	<b>Recreation Fund</b>	<b>Library Donation Fund</b>	<b>Economic Development Fund</b>
\$ 70,302	\$ 88,888	\$ 26,301	\$ 675	\$ 107,001
-	-	-	-	-
10,604	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 80,906</u>	<u>\$ 88,888</u>	<u>\$ 26,301</u>	<u>\$ 675</u>	<u>\$ 107,001</u>
\$ 597	\$ -	\$ 2,937	\$ -	\$ 73
-	-	-	-	-
<u>597</u>	<u>-</u>	<u>2,937</u>	<u>-</u>	<u>73</u>
-	-	-	-	-
-	-	23,364	675	-
80,309	88,888	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	106,928
-	-	-	-	-
-	-	-	-	-
<u>80,309</u>	<u>88,888</u>	<u>23,364</u>	<u>675</u>	<u>106,928</u>
<u>\$ 80,906</u>	<u>\$ 88,888</u>	<u>\$ 26,301</u>	<u>\$ 675</u>	<u>\$ 107,001</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Community Building Fund</u>	<u>Swimming Pool Fund</u>	<u>CDBG Grant 13/14</u>	<u>CDBG Planning Grant 2010/2011 Fund</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 31,741	\$ 11,644	\$ 100	\$ 100
Investments	-	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Due from other governments	-	-	103,844	-
Due from other funds	2,449	-	7,374	-
<i>Total assets</i>	<u>\$ 34,190</u>	<u>\$ 11,644</u>	<u>\$ 111,318</u>	<u>\$ 100</u>
<i>Liabilities</i>				
Accounts payable	\$ 1,215	\$ 27,345	\$ 117,410	\$ -
Accrued payroll expenses	4,764	-	-	-
<i>Total liabilities</i>	<u>5,979</u>	<u>27,345</u>	<u>117,410</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	28,211	-	-	-
Promotion	-	-	-	-
Transportation and roads	-	-	-	100
Debt service	-	-	-	-
Assigned to:				
Economic development	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	(15,701)	(6,092)	-
<i>Total fund balances</i>	<u>28,211</u>	<u>(15,701)</u>	<u>(6,092)</u>	<u>100</u>
<i>Total liabilities and fund balances</i>	<u>\$ 34,190</u>	<u>\$ 11,644</u>	<u>\$ 111,318</u>	<u>\$ 100</u>

See independent auditors' report.



<u>Capital Projects</u>		<u>Debt Service</u>		
<u>Park Acquisition Fund</u>	<u>Revenue Bond</u>	<u>Fire Station Remodel Loan - NMFA</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ 100	\$ 504,881	\$ -	\$ 1,194,846	
-	-	-	31,568	
-	-	-	10,604	
-	-	-	103,844	
-	-	-	9,823	
<u>\$ 100</u>	<u>\$ 504,881</u>	<u>\$ -</u>	<u>\$ 1,350,685</u>	
\$ -	\$ -	\$ -	\$ 216,337	
-	-	-	7,459	
-	-	-	223,796	
-	-	-	274,612	
-	-	-	92,864	
-	-	-	169,197	
-	-	-	100	
-	504,881	-	504,881	
-	-	-	106,928	
100	-	-	100	
-	-	-	(21,793)	
<u>100</u>	<u>504,881</u>	<u>-</u>	<u>1,126,889</u>	
<u>\$ 100</u>	<u>\$ 504,881</u>	<u>\$ -</u>	<u>\$ 1,350,685</u>	

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2017

	<b>Special Revenue</b>			
	<b>Emergency Medical Services Fund</b>	<b>Fire Protection Fund</b>	<b>Law Enforcement Protection Fund</b>	<b>Library Fund</b>
<i>Revenues</i>				
Taxes:				
Lodgers tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	120,790	299,126	39,800	44,236
Charges for services	-	-	-	6,765
Investment income	-	-	-	57
Miscellaneous	-	-	-	23,283
<i>Total revenues</i>	<u>120,790</u>	<u>299,126</u>	<u>39,800</u>	<u>74,341</u>
<i>Expenditures</i>				
Current:				
Public safety	23,874	96,996	38,603	-
Culture and recreation	-	-	-	232,709
Health and welfare	-	-	-	-
Capital outlay	102,231	31,379	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>126,105</u>	<u>128,375</u>	<u>38,603</u>	<u>232,709</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,315)</u>	<u>170,751</u>	<u>1,197</u>	<u>(158,368)</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	-	-
Transfers in	-	-	-	130,000
Transfers (out)	-	(61,363)	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(61,363)</u>	<u>-</u>	<u>130,000</u>
<i>Net change in fund balances</i>	(5,315)	109,388	1,197	(28,368)
<i>Fund balances - beginning of year</i>	<u>5,761</u>	<u>163,581</u>	<u>-</u>	<u>68,982</u>
<i>Fund balances - end of year</i>	<u>\$ 446</u>	<u>\$ 272,969</u>	<u>\$ 1,197</u>	<u>\$ 40,614</u>

See independent auditors' report.

**Special Revenue**

<b>Lodgers Tax Fund</b>	<b>Lodgers Tax Promotional Fund</b>	<b>Recreation Fund</b>	<b>Library Donation Fund</b>	<b>Economic Development Fund</b>
\$ 389,795	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	7,189	30,000	-	-
-	-	-	-	56,826
-	-	-	-	-
-	-	1,500	675	-
<u>389,795</u>	<u>7,189</u>	<u>31,500</u>	<u>675</u>	<u>56,826</u>
-	-	-	-	-
186,745	145,078	184,539	24,818	-
-	-	-	-	78,774
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>186,745</u>	<u>145,078</u>	<u>184,539</u>	<u>24,818</u>	<u>78,774</u>
<u>203,050</u>	<u>(137,889)</u>	<u>(153,039)</u>	<u>(24,143)</u>	<u>(21,948)</u>
-	-	-	-	-
-	152,606	140,000	-	-
<u>(152,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(152,606)</u>	<u>152,606</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
50,444	14,717	(13,039)	(24,143)	(21,948)
<u>29,865</u>	<u>74,171</u>	<u>36,403</u>	<u>24,818</u>	<u>128,876</u>
<u>\$ 80,309</u>	<u>\$ 88,888</u>	<u>\$ 23,364</u>	<u>\$ 675</u>	<u>\$ 106,928</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Community Building Fund</u>	<u>Swimming Pool Fund</u>	<u>CDBG Grant 13/14</u>	<u>CDBG Planning Grant 2010/2011 Fund</u>
<i>Revenues</i>				
Taxes:				
Lodgers tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal capital grants	-	-	113,933	-
State operating grants	-	-	-	-
Charges for services	2,560	33,435	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,560</u>	<u>33,435</u>	<u>113,933</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	118,364	-	-
Health and welfare	389,349	-	-	-
Capital outlay	-	22,400	144,030	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>389,349</u>	<u>140,764</u>	<u>144,030</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(386,789)</u>	<u>(107,329)</u>	<u>(30,097)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	-	-
Transfers in	415,000	30,000	24,005	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>415,000</u>	<u>30,000</u>	<u>24,005</u>	<u>-</u>
<i>Net change in fund balances</i>	28,211	(77,329)	(6,092)	-
<i>Fund balances - beginning of year</i>	-	61,628	-	100
<i>Fund balances - end of year</i>	<u>\$ 28,211</u>	<u>\$ (15,701)</u>	<u>\$ (6,092)</u>	<u>\$ 100</u>

See independent auditors' report.

<u>Capital Projects</u>	<u>Debt Service Fund</u>		
<u>Park Acquisition Fund</u>	<u>Revenue Bond</u>	<u>Fire Station Remodel Loan - NMFA</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 389,795
-	-	-	113,933
-	-	-	541,141
-	-	-	99,586
-	-	-	57
-	-	-	25,458
-	-	-	1,169,970
-	-	-	159,473
-	-	-	892,253
-	-	-	468,123
-	-	-	300,040
-	-	35,700	35,700
-	-	25,663	25,663
-	33,119	-	33,119
-	33,119	61,363	1,914,371
-	(33,119)	(61,363)	(744,401)
-	538,000	-	538,000
-	-	61,363	952,974
-	-	-	(213,969)
-	538,000	61,363	1,277,005
-	504,881	-	532,604
100	-	-	594,285
\$ 100	\$ 504,881	\$ -	\$ 1,126,889

See independent auditors' report.

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Deposit and Investment Accounts  
June 30, 2017

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>First New Mexico Bank-cash accounts</b>					
General Operating	Checking	\$ 9,854,457	\$ 9,441	\$ 1,462,937	\$ 8,400,961
Ambulance Billing	Checking	2,267,697	-	9,078	2,258,619
Payroll Clearing	Checking	148,785	-	148,785	-
CDBG Planning	Checking	100	-	-	100
CDBG	Checking	100	-	-	100
MVD	Checking	6,791	-	-	6,791
Judicial Bond	Checking	3,836	-	-	3,836
GSFVC	Checking	2,593	-	-	2,593
Golden Savings	Savings	4,928,439	-	-	4,928,439
Bank CD	Certificate of Deposit	7,614	-	-	7,614
Bank CD	Certificate of Deposit	1,027	-	-	1,027
<i>Total First New Mexico Bank</i>		<u>17,221,439</u>	<u>9,441</u>	<u>1,620,800</u>	<u>15,610,080</u>
<b>First Savings Bank</b>					
Utility Operating	Checking	4,957,362	858,977	78,447	5,737,892
Meter Deposit	Checking	605,222	560	14,279	591,503
Prepaid Energy	Checking	31,420	-	2	31,418
<i>Total First Savings Bank</i>		<u>5,594,004</u>	<u>859,537</u>	<u>92,728</u>	<u>6,360,813</u>
<b>Wells Fargo Bank</b>					
General Fund - Payroll	Checking	24,203	-	-	24,203
Savings Account	Savings	2,100,000	-	-	2,100,000
<i>Total Wells Fargo Bank</i>		<u>2,124,203</u>	<u>-</u>	<u>-</u>	<u>2,124,203</u>
<b>Western Heritage Bank</b>					
Bank CD	Certificate of Deposit	203,697	-	-	203,697
<i>Total Western Heritage Bank Securities</i>		<u>203,697</u>	<u>-</u>	<u>-</u>	<u>203,697</u>
<b>Scottrade</b>					
Scottrade Bank	Money Market	5,626	-	-	5,626
<i>Total Scottrade</i>		<u>5,626</u>	<u>-</u>	<u>-</u>	<u>5,626</u>
<i>Bank balance of deposits</i>		<u>\$ 25,148,969</u>	<u>\$ 868,978</u>	<u>\$ 1,713,528</u>	<u>\$24,304,419</u>
<b>New Mexico Finance Authority-Investment</b>					
Deming 11 - Debt Service Funds held in NMFA		\$ 31,408	\$ -	\$ -	\$ 31,408
Deming 14 - Debt Service Funds held in NMFA		11,693	-	-	11,693
Deming 17 - Program Funds held in NMFA		137	-	-	137
Deming 19 - Program Funds held in NMFA		48,781	-	-	48,781
Deming 20 - Program Funds held in NMFA		32,491	-	-	32,491
Deming 21 - Program Funds held in NMFA		15,102	-	-	15,102
Deming 22 - Program Funds held in NMFA		44,000	-	-	44,000
<i>Total New Mexico Finance Authority</i>		<u>183,612</u>	<u>-</u>	<u>-</u>	<u>183,612</u>

\*All checking accounts are non-interest bearing

See independent auditors' report.



<b>Bank Name/Account Name</b>	<b>Account Type</b>	<b>Bank Balance</b>	<b>Deposits in Transit</b>	<b>Outstanding Checks</b>	<b>Book Balance</b>
<b>Multi-Bank Securities-Investments</b>					
GNMA Security	Investment	\$ 2,255	\$ -	\$ -	\$ 2,255
GNMA Security	Investment	1,367	-	-	1,367
<i>Total Multi-Bank Securities</i>		<u>3,622</u>	<u>-</u>	<u>-</u>	<u>3,622</u>
<b>Scottrade</b>					
US Treasury Notes	Note	1,209,051	-	-	1,209,051
Federal Home Loan Security	Bond	754,111	-	-	754,111
FNMA Security	Bond	1,005,864	-	-	1,005,864
<i>Total Scottrade</i>		<u>2,969,026</u>	<u>-</u>	<u>-</u>	<u>2,969,026</u>
<b>George K. Baum &amp; Company</b>					
Municipal Bonds	Bond	231,923	-	-	231,923
<i>Total George K. Baum &amp; Company</i>		<u>231,923</u>	<u>-</u>	<u>-</u>	<u>231,923</u>
<i>Total investments</i>		<u>3,388,183</u>	<u>-</u>	<u>-</u>	<u>3,388,183</u>
<i>Total</i>		<u>\$ 28,537,152</u>	<u>\$ 868,978</u>	<u>\$ 1,713,528</u>	<u>27,692,602</u>
Add: petty cash					<u>3,675</u>
<i>Total deposits and investments</i>					<u><u>\$27,696,277</u></u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$22,961,661
Investments - Exhibit A-1					3,416,910
Restricted cash and cash equivalents - Exhibit A-1					1,311,277
Fiduciary funds cash - Exhibit E-1					<u>6,429</u>
<i>Total cash, cash equivalents, and investments</i>					<u><u>\$27,696,277</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Collateral Pledged by Depository  
For Public Funds  
June 30, 2017

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2017
<b>First New Mexico Bank</b>				
	FHLB	06/30/25	3130A8JV6	\$ 984,019
	FHLB	12/14/26	3130AAAZ1	998,392
	ARTESIA	08/01/17	04310KAL6	500,850
	FFCB	10/18/17	31331VCY0	2,024,270
	CHAVES	08/01/18	162634BN8	513,860
	CLOV	06/01/24	189387CM3	402,841
	FFCB	10/23/20	31331VA30	1,130,075
	DULC	03/01/19	264430HK8	521,530
	FFCB	04/01/22	31331YA26	1,473,524
<i>Total First New Mexico Bank</i>				<u>8,549,361</u>

The location of the safekeeper of the above securities is TIB, P.O. Box 560528, Dallas, Texas 75356-0528

**First Savings Bank**

	FHLMC 10YR	04/01/22	31294MN72	\$ 101,860
	FNMA 15YR	06/01/22	31410GBG7	57,689
	FHLMC 10YR	03/01/23	31307BJV3	73,223
	FHLMC 10YR	03/01/23	31307BJV3	73,223
	FHLMC 10YR	03/01/23	31307BJW1	207,273
	FNMA 15YR	04/01/27	3138EBH40	187,552
	FNMA 15YR	04/01/27	3138EBH40	350,097
	FHLMC 15YR	05/01/27	3128MDEC3	564,098
	FNMA 15YR	11/01/27	3138MJWW5	126,620
	FHR 4136 NG	11/15/27	3137AWKN4	169,864
	FHR 4136 NG	11/15/27	3137AWKN4	72,799
	FHLMC 15YR	01/01/28	3128MDNR0	112,260
	FNMA 15YR	01/01/28	3138EKJA4	81,533
	FNMA 15YR	01/01/28	3138EKJA4	81,533
	FNMA 15YR	01/01/28	3138EKJA4	135,889
	FNR 2012-145 DC	01/25/28	3136AA2L8	115,388
	FNR 2012-145 DC	01/25/28	3136AA2L8	115,388
	FHLMC 15YR	06/01/28	31307DB62	271,655
	FHLMC 15YR	06/01/28	31307DB62	140,371
	FHLMC 15YR	01/01/30	3128ME4VO	947,550
	FHLMC 15YR	02/01/30	3128MECV1	198,111
	FHLMC 15YR	02/01/30	3128MECV1	180,101
	FHLMC 15YR	08/01/31	3128ME4MO	285,226
	FHLMC 15YR	01/01/32	3138ER202	290,129
	FHLMC 15YR	01/01/32	3138ER202	386,839
	FHR 4080 NA	05/15/32	3137ARS72	513,314
	GNR 2011-4MD	11/20/38	38377TBL4	53,787
	GNR 2010-150 GJ	09/20/39	38377NLJ1	89,691
	GNR 2010-150 GJ	09/20/39	38377NLJ1	49,829

See independent auditors' report.

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2017
<b>First Savings Bank (continued)</b>				
	FNR 2010-135 CH	04/25/40	31398SN66	\$ 57,345
	FHR 3925 DE	07/15/40	3137AFGA4	130,208
	FNR 3925 DE	07/15/40	3137AFGA4	111,607
	FNR 2013-73 TC	09/25/42	3136AFTR5	492,707
	FHR 4505 PA	05/15/44	3137BKWM8	383,670
<i>Total First Savings Bank</i>				<u>7,208,429</u>

The location of the safekeeper of the above securities is 201 North 3rd Street Beresford, SD 57004.

**Wells Fargo Bank**

	FNMA FNMS	5/1/2031	3140F3N87	\$ 1,979,501
<i>Total Wells Fargo Bank</i>				<u>1,979,501</u>

The location of the safekeeper of the above securities is BNY Mellon at One Wall Street, 4th Floor, New York, NY 10286

*Total Pledged Collateral* \$ 17,737,291

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund  
For the Year Ended June 30, 2017

Schedule V

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Assets</b>				
Cash - Judicial Bond Fund	\$ 2,696	\$ 609	\$ -	\$ 3,305
Cash - Gila Water Fund	<u>3,121</u>	<u>3</u>	<u>-</u>	<u>3,124</u>
<i>Total assets</i>	<u>\$ 5,817</u>	<u>\$ 612</u>	<u>\$ -</u>	<u>\$ 6,429</u>
<b>Liabilities</b>				
Due to other entities	<u>\$ 5,817</u>	<u>\$ 612</u>	<u>\$ -</u>	<u>\$ 6,429</u>
<i>Total liabilities</i>	<u>\$ 5,817</u>	<u>\$ 612</u>	<u>\$ -</u>	<u>\$ 6,429</u>

See independent auditors' report.

## **COMPLIANCE SECTION**

**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***

**INDEPENDENT AUDITORS' REPORT**

City Council  
City of Deming  
Wayne A. Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Deming, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of the City of Deming (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 11, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, NM  
December 11, 2017

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## **FEDERAL FINANCIAL ASSISTANCE**

## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITORS' REPORT

City Council  
City of Deming  
Wayne A. Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Deming, New Mexico

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

We have audited the City of Deming's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditors' Responsibility

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

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

## Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

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

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

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

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



Cordova CPAs LLC  
Albuquerque, NM  
December 11, 2017

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

<b>Federal Grantor or Pass-Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>	<b>Funds Provided to Subrecipients</b>	<b>Noncash Assistance</b>
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant	14.228	\$ 210,061	\$ -	\$ -
<i>Total U.S. Department of Housing and Urban Development</i>		<u>210,061</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Interior</b>				
Historic Presevation Fund Grant	15.904	5,868	-	-
<i>Total U.S. Department of Interior</i>		<u>5,868</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership	16.607	4,559	-	-
<i>Total U.S. Department of Justice</i>		<u>4,559</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Operation Stone Garden	97.067	175,921	-	-
<i>Total U.S. Department of Homeland Security</i>		<u>175,921</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Federal Aviation Administration-Runway Rehabilitation	20.106 *	428,663	-	-
Highway Safety Improvement Program	20.205	92,093	-	-
Selective Traffic Enforcement Program (STEP)	20.237	507	-	-
ENDWI Saturation Patrol (DWI/ODWI)	20.608	1,623	-	-
<i>Total U.S. Department of Transportation</i>		<u>522,886</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>		<u>\$ 919,295</u>	<u>\$ -</u>	<u>\$ -</u>

\* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.  
See accompanying notes to schedule of expenditures of federal awards.

## Notes to Schedule of Expenditures of Federal Awards

### **1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Deming and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

### **2 Loans**

The City did not expend federal awards related to loans or loan guarantees during the year.

### **3 10% de minimus Indirect Cost Rate**

The City did not elect to use the allowed 10% indirect cost rate.

### **4 Federally Funded Insurance**

The City has no federally funded insurance.

## **Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 919,295
Total expenditures funded by other sources	<u>21,629,479</u>
<i>Total expenditures (Exh B-2)</i>	13,117,536
<i>Total expenditures (Exh D-2)</i>	<u>9,431,238</u>
<i>Total expenditures</i>	<u><u>\$ 22,548,774</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Findings and Questioned Costs  
June 30, 2017

**Section I – Summary of Auditors’ Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted?                     | None Noted |

*Federal Awards:*

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | None Noted |
| 2. Type of auditors’ report issued on compliance for major programs   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None Noted |
| 4. Identification of major programs:  |            |

CFDA Number	Federal Program
20.106	Federal Aviation Administration-Runway Rehabilitation

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| d. Auditee qualified as low-risk auditee?                                   | No        |

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Findings and Questioned Costs  
June 30, 2017

**Section II – Financial Statement Findings**

*None noted*

**Section III – Section 12-6-5 NMSA 1978 Findings**

*None noted*

**Section IV – Prior Year Audit Findings**

NM 2016-001 Budgetary Noncompliance – (Other noncompliance) – Resolved

NM 2016-002 Pledged Collateral – (Other noncompliance) – Resolved

**STATE OF NEW MEXICO**

City of Deming  
Other Disclosures  
June 30, 2017

**Exit Conference**

An exit conference was held on December 11, 2017. In attendance were the following:

**Representing the City of Deming:**

Benny Jasso, Mayor  
Aaron Sera, City Administrator  
Laura Holguin, Finance Director/Treasurer  
Patty Ciccotelli, Accountant

**Representing Cordova CPAs:**

Robert Gonzales, CPA, Principal  
Robert Cordova, CPA, Principal

**Auditor Prepared Financial Statements**

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of City of Deming from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.