



City of Deming

Financial Statements  
For the Year Ended June 30, 2018

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**STATE OF NEW MEXICO**  
City of Deming  
Annual Financial Report  
June 30, 2018  
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**STATE OF NEW MEXICO**

City of Deming

Official Roster

June 30, 2018

**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 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, 2018, 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 comparisons of the General Fund and major special revenue fund of the City, as of June 30, 2018, 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 A-1 through B-2 and the notes to the Required Supplementary Information on pages 70 through 79 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 I through III 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 I through III 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 I through III 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 1, 2018 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 1, 2018

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
City of Deming  
Statement of Net Position  
June 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 14,415,265	\$ 13,448,904	\$ 27,864,169
Investments	990,296	2,397,295	3,387,591
Receivables:			
Ambulance receivable, net	211,607	-	211,607
Customer receivable, net	-	636,211	636,211
Taxes receivable	2,012,694	-	2,012,694
Due from other governments	366,504	-	366,504
Due from PNM	-	276,044	276,044
Inventory	33,305	332,338	365,643
<i>Total current assets</i>	<u>18,029,671</u>	<u>17,090,792</u>	<u>35,120,463</u>
Noncurrent assets			
Restricted cash and cash equivalents	373,849	649,608	1,023,457
Capital assets	91,286,450	63,980,747	155,267,197
Less: accumulated depreciation	<u>(48,252,622)</u>	<u>(24,931,605)</u>	<u>(73,184,227)</u>
<i>Total noncurrent assets</i>	<u>43,407,677</u>	<u>39,698,750</u>	<u>83,106,427</u>
<i>Total assets</i>	<u>61,437,348</u>	<u>56,789,542</u>	<u>118,226,890</u>
<b>Deferred outflows of resources</b>			
Deferred outflows- pension	2,532,281	461,783	2,994,064
Deferred outflows- OPEB	104,012	21,382	125,394
<i>Total deferred outflows of resources</i>	<u>2,636,293</u>	<u>483,165</u>	<u>3,119,458</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 64,073,641</u>	<u>\$ 57,272,707</u>	<u>\$ 121,346,348</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	\$ 504,824	\$ 490,653	\$ 995,477
Accrued payroll	150,682	27,955	178,637
Meter deposits	-	587,655	587,655
Current portion of loans and bonds payable	220,673	97,490	318,163
<i>Total current liabilities</i>	<u>876,179</u>	<u>1,203,753</u>	<u>2,079,932</u>
Noncurrent liabilities			
Accrued compensated absences	397,253	122,642	519,895
Landfill closure and post-closure	-	895,847	895,847
Loans and bonds payable	1,026,164	1,662,579	2,688,743
Net pension liability	11,140,873	2,029,348	13,170,221
Net OPEB liability	5,765,442	1,185,238	6,950,680
<i>Total noncurrent liabilities</i>	<u>18,329,732</u>	<u>5,895,654</u>	<u>24,225,386</u>
<i>Total liabilities</i>	<u>19,205,911</u>	<u>7,099,407</u>	<u>26,305,318</u>
<b>Deferred inflows of resources</b>			
Deferred inflows- pension	1,843,189	280,117	2,123,306
Deferred inflows- OPEB	1,312,201	269,758	1,581,959
<i>Total deferred inflows of resources</i>	<u>3,155,390</u>	<u>549,875</u>	<u>3,705,265</u>
<b>Net position</b>			
Net investment in capital assets	41,786,991	37,289,073	79,076,064
Restricted for:			
Debt service	401,925	119,576	521,501
Prepaid energy	-	36,035	36,035
Capital projects	550,100	-	550,100
Special revenue projects	357,405	-	357,405
Unrestricted	(1,384,081)	12,178,741	10,794,660
<i>Total net position</i>	<u>41,712,340</u>	<u>49,623,425</u>	<u>91,335,765</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 64,073,641</u>	<u>\$ 57,272,707</u>	<u>\$ 121,346,348</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, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 3,670,238	\$ 2,890,066	\$ 482,659	\$ -
Public safety	6,128,895	390,000	316,355	-
Public works	2,122,394	-	1,569,454	357,279
Culture and recreation	1,673,176	32,928	88,756	-
Health and welfare	809,817	-	-	-
Interest and other costs	38,061	-	-	-
<i>Total governmental activities</i>	14,442,581	3,312,994	2,457,224	357,279
<b>Business-type Activities:</b>				
Gas	2,503,319	2,699,729	-	-
Sewer	1,361,609	1,207,425	463,279	75,348
Solid waste	3,007,653	2,443,777	365,407	480,926
Water	2,351,123	1,964,718	-	100,147
Cemetery	127,578	92,305	-	-
Airport	208,238	81,599	17,494	-
<i>Total business-type activities</i>	9,559,520	8,489,553	846,180	656,421
<i>Total</i>	\$ 24,002,101	\$ 11,802,547	\$ 3,303,404	\$ 1,013,700

**General Revenues and transfers:**

Taxes:

- Gross receipts taxes
- Property taxes, levied for general purposes
- Gasoline, franchise and motor vehicle
- Lodger's tax
- Investment income
- Miscellaneous revenue
- Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, restatement (note 16)

Net position, as restated

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>
\$ (297,513)	\$ -	\$ (297,513)
(5,422,540)	-	(5,422,540)
(195,661)	-	(195,661)
(1,551,492)	-	(1,551,492)
(809,817)	-	(809,817)
(38,061)	-	(38,061)
<u>(8,315,084)</u>	<u>-</u>	<u>(8,315,084)</u>
-	196,410	196,410
-	384,443	384,443
-	282,457	282,457
-	(286,258)	(286,258)
-	(35,273)	(35,273)
-	(109,145)	(109,145)
<u>-</u>	<u>432,634</u>	<u>432,634</u>
<u>(8,315,084)</u>	<u>432,634</u>	<u>(7,882,450)</u>
9,515,253	-	9,515,253
1,130,416	-	1,130,416
721,971	-	721,971
430,456	-	430,456
63,570	56,101	119,671
340,323	14,044	354,367
(744,629)	744,629	-
<u>11,457,360</u>	<u>814,774</u>	<u>12,272,134</u>
<u>3,142,276</u>	<u>1,247,408</u>	<u>4,389,684</u>
45,418,494	49,783,892	95,202,386
(6,848,430)	(1,407,875)	(8,256,305)
<u>38,570,064</u>	<u>48,376,017</u>	<u>86,946,081</u>
<u>\$ 41,712,340</u>	<u>\$ 49,623,425</u>	<u>\$ 91,335,765</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, 2018Exhibit 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	\$ 13,454,338	\$ 455,131	\$ 879,645	\$ 14,789,114
Investments	973,594	-	16,702	990,296
Receivables:				
Ambulance receivable, net	211,607	-	-	211,607
Property taxes	144,226	-	-	144,226
Gross receipts taxes	1,722,555	-	-	1,722,555
Other taxes	52,968	70,971	21,974	145,913
Due from other governments	136,870	229,634	-	366,504
Inventory	33,305	-	-	33,305
Due from other funds	138,688	-	9,823	148,511
<i>Total assets</i>	<u>\$ 16,868,151</u>	<u>\$ 755,736</u>	<u>\$ 928,144</u>	<u>\$ 18,552,031</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
<i>Liabilities</i>				
Accounts payable	\$ 214,310	\$ 241,471	\$ 49,043	\$ 504,824
Accrued payroll	139,347	4,741	6,594	150,682
Due to other funds	9,823	-	138,688	148,511
<i>Total liabilities</i>	<u>363,480</u>	<u>246,212</u>	<u>194,325</u>	<u>804,017</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	110,731	-	-	110,731
<i>Total deferred inflows of resources</i>	<u>110,731</u>	<u>-</u>	<u>-</u>	<u>110,731</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	33,305	-	-	33,305
Spendable:				
Restricted for:				
Public safety	-	-	488	488
Culture and recreation	-	-	135,973	135,973
Promotion	-	-	262,529	262,529
Transportation and roads	-	509,524	100	509,624
Debt service	-	-	341,825	341,825
Committed to:				
Subsequent year's expenditures	958,461	-	-	958,461
Assigned to:				
Economic development	-	-	51,782	51,782
Capital improvements	-	-	7,574	7,574
Unassigned	15,402,174	-	(66,452)	15,335,722
<i>Total fund balances</i>	<u>16,393,940</u>	<u>509,524</u>	<u>733,819</u>	<u>17,637,283</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 16,868,151</u>	<u>\$ 755,736</u>	<u>\$ 928,144</u>	<u>\$ 18,552,031</u>

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



**STATE OF NEW MEXICO**  
City of Deming  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
June 30, 2018

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

Fund balances - total governmental funds	\$	17,637,283
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		43,033,828
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		110,731
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows- pension		2,532,281
Deferred outflows- OPEB		104,012
Deferred inflows- pension		(1,843,189)
Deferred inflows- OPEB		(1,312,201)
Certain liabilities, including loans and bonds payable and related components, net pension and OPEB liabilities, 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		(397,253)
Loans and bonds payable		(1,246,837)
Net pension liability		(11,140,873)
Net OPEB liability		(5,765,442)
		(18,550,405)
<i>Net position of governmental activities</i>	<b>\$</b>	<b>41,712,340</b>

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, 2018

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	\$ 1,128,276	\$ -	\$ -	\$ 1,128,276
Gross receipts taxes	9,515,253	-	-	9,515,253
Gasoline, franchise, and motor vehicle	366,047	355,924	-	721,971
Lodgers tax	-	-	430,456	430,456
Intergovernmental:				
Federal operating grants	152,988	725,068	-	878,056
Federal capital grants	-	-	357,279	357,279
State operating grants	346,870	844,386	387,912	1,579,168
Charges for services	3,132,023	76,772	104,199	3,312,994
Investment income	63,496	-	74	63,570
Miscellaneous	330,594	2,063	7,666	340,323
<i>Total revenues</i>	<u>15,035,547</u>	<u>2,004,213</u>	<u>1,287,586</u>	<u>18,327,346</u>
<i>Expenditures</i>				
Current:				
General government	2,663,726	-	163,056	2,826,782
Public safety	5,507,195	-	112,160	5,619,355
Public works	-	901,408	-	901,408
Culture and recreation	736,593	-	1,236,322	1,972,915
Health and welfare	237,487	-	118,138	355,625
Capital outlay	542,943	1,358,501	879,484	2,780,928
Debt service:				
Principal	-	3,573	210,100	213,673
Interest	-	-	38,061	38,061
<i>Total expenditures</i>	<u>9,687,944</u>	<u>2,263,482</u>	<u>2,757,321</u>	<u>14,708,747</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,347,603</u>	<u>(259,269)</u>	<u>(1,469,735)</u>	<u>3,618,599</u>
<i>Other financing sources (uses)</i>				
Transfers in	6,913	596,000	1,296,890	1,899,803
Transfers (out)	(2,422,665)	(1,542)	(220,225)	(2,644,432)
<i>Total other financing sources (uses)</i>	<u>(2,415,752)</u>	<u>594,458</u>	<u>1,076,665</u>	<u>(744,629)</u>
<i>Net change in fund balance</i>	2,931,851	335,189	(393,070)	2,873,970
<i>Fund balance - beginning of year</i>	<u>13,462,089</u>	<u>174,335</u>	<u>1,126,889</u>	<u>14,763,313</u>
<i>Fund balance - end of year</i>	<u>\$ 16,393,940</u>	<u>\$ 509,524</u>	<u>\$ 733,819</u>	<u>\$ 17,637,283</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, 2018

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	\$	2,873,970
<p>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:</p>		
Capital outlay additions reported in capital outlay expenditures		2,780,928
Depreciation expense		(2,098,208)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Change in deferred inflows related to the property taxes receivable		2,140
<p>Governmental funds report City pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:</p>		
City pension contributions subsequent to measurement date		688,531
Pension expense		(1,210,361)
City OPEB contributions subsequent to measurement date		104,012
OPEB expense		(229,212)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Decrease in accrued compensated absences		16,803
<p>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:</p>		
Principal payments on loans		213,673
<i>Change in net position of governmental activities</i>	\$	3,142,276

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, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 1,079,980	\$ 1,079,980	\$ 1,120,278	\$ 40,298
Gross receipts	6,875,000	6,875,000	9,256,829	2,381,829
Gasoline, franchise and motor vehicle	350,000	350,000	357,018	7,018
Intergovernmental:				
Federal operating grants	200,000	200,000	191,450	(8,550)
State operating grants	322,228	203,628	385,775	182,147
Charges for services	3,005,993	3,006,993	3,071,031	64,038
Investment income	25,000	25,000	63,496	38,496
Miscellaneous	334,463	452,063	230,108	(221,955)
<i>Total revenues</i>	<u>12,192,664</u>	<u>12,192,664</u>	<u>14,675,985</u>	<u>2,483,321</u>
<i>Expenditures</i>				
Current:				
General government	3,036,529	3,173,119	2,677,068	496,051
Public safety	5,948,496	6,099,473	5,498,219	601,254
Culture and recreation	894,991	843,624	743,976	99,648
Health and welfare	409,500	410,150	283,256	126,894
Capital outlay	812,500	575,650	448,781	126,869
<i>Total expenditures</i>	<u>11,102,016</u>	<u>11,102,016</u>	<u>9,651,300</u>	<u>1,450,716</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,090,648</u>	<u>1,090,648</u>	<u>5,024,685</u>	<u>3,934,037</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	2,406,375	2,406,375	-	(2,406,375)
Proceeds from sale of capital assets	500	500	-	(500)
Transfers in	64,500	64,750	6,913	(57,837)
Transfers (out)	(3,562,023)	(3,562,273)	(2,422,665)	1,139,608
<i>Total other financing sources (uses)</i>	<u>(1,090,648)</u>	<u>(1,090,648)</u>	<u>(2,415,752)</u>	<u>(1,325,104)</u>
<i>Net change in fund balance</i>	-	-	2,608,933	2,608,933
<i>Fund balance - beginning of year</i>	-	-	11,947,864	11,947,864
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,556,797</u>	<u>\$ 14,556,797</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 2,608,933	
Adjustments to revenues for gross receipt taxes, other taxes and federal grants.			359,562	
Adjustments to expenditures for salaries and operating expenses.			<u>(36,644)</u>	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 2,931,851</u>	

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

## STATE OF NEW MEXICO

Exhibit C-2

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, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline, franchise and motor vehicle	275,000	348,750	348,719	(31)
Intergovernmental:				
Federal operating grants	752,000	752,000	495,434	(256,566)
State operating grants	1,235,384	1,266,009	930,288	(335,721)
Charges for services	63,250	83,950	83,764	(186)
Sale of fixed assets	-	-	-	-
Miscellaneous	100	2,075	2,063	(12)
<i>Total revenues</i>	<u>2,325,734</u>	<u>2,452,784</u>	<u>1,860,268</u>	<u>(592,516)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	916,474	1,046,824	924,992	121,832
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,045,000	2,041,700	1,222,970	818,730
Debt service:				
Principal	-	-	3,573	(3,573)
<i>Total expenditures</i>	<u>2,961,474</u>	<u>3,088,524</u>	<u>2,151,535</u>	<u>936,989</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(635,740)</u>	<u>(635,740)</u>	<u>(291,267)</u>	<u>344,473</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	46,160	46,160	-	(46,160)
Transfers in	596,653	596,653	596,000	(653)
Transfers (out)	(7,073)	(7,073)	(1,542)	5,531
<i>Total other financing sources (uses)</i>	<u>635,740</u>	<u>635,740</u>	<u>594,458</u>	<u>(41,282)</u>
<i>Net change in fund balance</i>	-	-	303,191	303,191
<i>Fund balance - beginning of year</i>	-	-	151,940	151,940
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,131</u>	<u>\$ 455,131</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 303,191	
Adjustments to revenues for oil and gas taxes and operating grants.			143,945	
Adjustments to expenditures for salaries and operating expenses.			(111,947)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 335,189</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, 2018

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 3,970,527	\$ 1,849,828	\$ 3,750,818
Investments	1,322,812	137,240	268,504
Customer receivables, net	114,619	107,489	205,644
Due from PNM	-	276,044	-
Inventory	40,180	14,487	-
<i>Total current assets</i>	<u>5,448,138</u>	<u>2,385,088</u>	<u>4,224,966</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	601,506	30,716	-
Capital assets	7,174,780	18,658,712	8,125,536
Less: accumulated depreciation	<u>(4,582,081)</u>	<u>(7,758,487)</u>	<u>(2,801,565)</u>
<i>Total noncurrent assets</i>	<u>3,194,205</u>	<u>10,930,941</u>	<u>5,323,971</u>
<i>Total assets</i>	<u>8,642,343</u>	<u>13,316,029</u>	<u>9,548,937</u>
<b>Deferred outflows of resources</b>			
Deferred outflows- pension	71,049	76,239	159,605
Deferred outflows- OPEB	<u>3,404</u>	<u>3,041</u>	<u>8,589</u>
<i>Total deferred outflows of resources</i>	<u>74,453</u>	<u>79,280</u>	<u>168,194</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 8,716,796</u>	<u>\$ 13,395,309</u>	<u>\$ 9,717,131</u>

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

<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 3,403,852	\$ 197,260	\$ 276,619	\$ 13,448,904
532,189	104,358	32,192	2,397,295
197,454	11,005	-	636,211
-	-	-	276,044
277,671	-	-	332,338
<u>4,411,166</u>	<u>312,623</u>	<u>308,811</u>	<u>17,090,792</u>
17,386	-	-	649,608
18,176,042	565,020	11,280,657	63,980,747
<u>(6,056,001)</u>	<u>(240,041)</u>	<u>(3,493,430)</u>	<u>(24,931,605)</u>
<u>12,137,427</u>	<u>324,979</u>	<u>7,787,227</u>	<u>39,698,750</u>
<u>16,548,593</u>	<u>637,602</u>	<u>8,096,038</u>	<u>56,789,542</u>
144,736	10,154	-	461,783
<u>5,842</u>	<u>506</u>	<u>-</u>	<u>21,382</u>
<u>150,578</u>	<u>10,660</u>	<u>-</u>	<u>483,165</u>
<u>\$ 16,699,171</u>	<u>\$ 648,262</u>	<u>\$ 8,096,038</u>	<u>\$ 57,272,707</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, 2018

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 68,066	\$ 49,987	\$ 234,272
Accrued payroll expenses	6,839	1,330	12,656
Meter deposits	587,655	-	-
Current maturity of loans payable	-	16,222	3,253
<i>Total current liabilities</i>	<u>662,560</u>	<u>67,539</u>	<u>250,181</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	26,646	23,604	50,298
Landfill closure and post-closure costs	-	-	895,847
Loans payable	-	248,258	52,798
Net pension liability	382,915	277,161	807,224
Net OPEB liability	188,690	168,567	476,102
<i>Total noncurrent liabilities</i>	<u>598,251</u>	<u>717,590</u>	<u>2,282,269</u>
<i>Total liabilities</i>	<u>1,260,811</u>	<u>785,129</u>	<u>2,532,450</u>
<b>Deferred inflows of resources</b>			
Deferred inflows- pension	43,928	40,141	111,260
Deferred inflows- OPEB	42,945	38,366	108,360
<i>Total deferred inflows of resources</i>	<u>86,873</u>	<u>78,507</u>	<u>219,620</u>
<b>Net position</b>			
Net investment in capital assets	2,592,699	10,635,745	5,267,920
Restricted for:			
Debt service	-	-	63,883
Prepaid energy	-	30,716	-
Unrestricted	4,776,413	1,865,212	1,633,258
<i>Total net position</i>	<u>7,369,112</u>	<u>12,531,673</u>	<u>6,965,061</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 8,716,796</u>	<u>\$ 13,395,309</u>	<u>\$ 9,717,131</u>

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



<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 136,477	\$ 666	\$ 1,185	\$ 490,653
7,130	-	-	27,955
-	-	-	587,655
78,015	-	-	97,490
<u>221,622</u>	<u>666</u>	<u>1,185</u>	<u>1,203,753</u>
20,778	1,316	-	122,642
-	-	-	895,847
1,361,523	-	-	1,662,579
519,391	42,657	-	2,029,348
323,831	28,048	-	1,185,238
<u>2,225,523</u>	<u>72,021</u>	<u>-</u>	<u>5,895,654</u>
<u>2,447,145</u>	<u>72,687</u>	<u>1,185</u>	<u>7,099,407</u>
78,207	6,581	-	280,117
73,703	6,384	-	269,758
<u>151,910</u>	<u>12,965</u>	<u>-</u>	<u>549,875</u>
10,680,503	324,979	7,787,227	37,289,073
55,693	-	-	119,576
5,319	-	-	36,035
<u>3,358,601</u>	<u>237,631</u>	<u>307,626</u>	<u>12,178,741</u>
<u>14,100,116</u>	<u>562,610</u>	<u>8,094,853</u>	<u>49,623,425</u>
<u>\$ 16,699,171</u>	<u>\$ 648,262</u>	<u>\$ 8,096,038</u>	<u>\$ 57,272,707</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, 2018

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<i>Operating revenues</i>			
Charges for services	\$ 2,699,729	\$ 1,207,425	\$ 2,443,777
<i>Total operating revenues</i>	<u>2,699,729</u>	<u>1,207,425</u>	<u>2,443,777</u>
<i>Operating expenses</i>			
Depreciation	185,490	451,863	92,256
Personnel services	268,800	245,885	756,392
Contractual services	4,729	70,520	170,810
Supplies and purchases	1,390,346	16,558	31,152
Maintenance and materials	58,932	35,353	683,162
Administrative fees	553,020	357,100	475,177
Utilities	16,869	133,470	10,864
Non-capital equipment	25,133	50,158	787,840
<i>Total operating expenses</i>	<u>2,503,319</u>	<u>1,360,907</u>	<u>3,007,653</u>
<i>Operating income (loss)</i>	<u>196,410</u>	<u>(153,482)</u>	<u>(563,876)</u>
<i>Non-operating revenues (expenses)</i>			
Interest expense	-	(702)	-
Operating grants	-	463,279	365,407
Investment income	28,159	20,534	(12,908)
Miscellaneous income	1,268	347	3,250
<i>Total non-operating revenues (expenses)</i>	<u>29,427</u>	<u>483,458</u>	<u>355,749</u>
<i>Income (loss) before contributions and transfers</i>	<u>225,837</u>	<u>329,976</u>	<u>(208,127)</u>
Capital grants	-	75,348	480,926
Transfers in	-	750,000	-
Transfers (out)	(1,542)	(1,542)	(745)
<i>Change in net position</i>	<u>224,295</u>	<u>1,153,782</u>	<u>272,054</u>
<i>Total net position, beginning of year</i>	7,368,950	11,578,122	7,258,541
<i>Total net position, restatement (Note 16)</i>	<u>(224,133)</u>	<u>(200,231)</u>	<u>(565,534)</u>
<i>Total net position, beginning as restated</i>	<u>7,144,817</u>	<u>11,377,891</u>	<u>6,693,007</u>
<i>Total net position, end of year</i>	<u>\$ 7,369,112</u>	<u>\$ 12,531,673</u>	<u>\$ 6,965,061</u>

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

<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 1,964,718	\$ 92,305	\$ 81,599	\$ 8,489,553
<u>1,964,718</u>	<u>92,305</u>	<u>81,599</u>	<u>8,489,553</u>
761,074	35,305	152,592	1,678,580
495,268	49,965	3,041	1,819,351
134,922	2,500	2,106	385,587
38,752	1,222	2,000	1,480,030
155,163	16,107	20,922	969,639
414,275	14,579	12,333	1,826,484
331,202	2,226	15,244	509,875
6,867	5,674	-	875,672
<u>2,337,523</u>	<u>127,578</u>	<u>208,238</u>	<u>9,545,218</u>
<u>(372,805)</u>	<u>(35,273)</u>	<u>(126,639)</u>	<u>(1,055,665)</u>
(13,600)	-	-	(14,302)
-	-	17,494	846,180
19,710	463	143	56,101
9,179	-	-	14,044
<u>15,289</u>	<u>463</u>	<u>17,637</u>	<u>902,023</u>
<u>(357,516)</u>	<u>(34,810)</u>	<u>(109,002)</u>	<u>(153,642)</u>
100,147	-	-	656,421
-	-	-	750,000
<u>(1,542)</u>	<u>-</u>	<u>-</u>	<u>(5,371)</u>
<u>(258,911)</u>	<u>(34,810)</u>	<u>(109,002)</u>	<u>1,247,408</u>
14,743,687	630,737	8,203,855	49,783,892
<u>(384,660)</u>	<u>(33,317)</u>	<u>-</u>	<u>(1,407,875)</u>
<u>14,359,027</u>	<u>597,420</u>	<u>8,203,855</u>	<u>48,376,017</u>
<u>\$ 14,100,116</u>	<u>\$ 562,610</u>	<u>\$ 8,094,853</u>	<u>\$ 49,623,425</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, 2018

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 2,770,662	\$ 1,246,817	\$ 2,488,371
Cash payments to employees for services	(253,881)	(229,686)	(703,104)
Cash payments to suppliers for goods and services	(2,039,459)	(754,125)	(1,548,441)
<i>Net cash provided (used) by operating activities</i>	<u>477,322</u>	<u>263,006</u>	<u>236,826</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	-	187,235	365,407
Miscellaneous income	1,268	347	3,250
Transfers (net)	(1,542)	748,458	(745)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(274)</u>	<u>936,040</u>	<u>367,912</u>
<i>Cash flows from investing activities:</i>			
Proceeds from sale of investments	364,077	-	24,707
Purchase of investments	-	(37,050)	-
Interest on investments	28,159	20,534	(12,908)
<i>Net cash provided (used) by investing activities</i>	<u>392,236</u>	<u>(16,516)</u>	<u>11,799</u>
<i>Cash flows from capital and related financing activities:</i>			
Interest paid	-	(702)	-
Capital grants	-	75,348	480,926
Acquisition of capital assets	(77,748)	(459,130)	(660,301)
Principal payments on loans	-	(16,182)	(2,799)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(77,748)</u>	<u>(400,666)</u>	<u>(182,174)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	791,536	781,864	434,363
<i>Cash and cash equivalents - beginning of year</i>	<u>3,780,497</u>	<u>1,098,680</u>	<u>3,316,455</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 4,572,033</u>	<u>\$ 1,880,544</u>	<u>\$ 3,750,818</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 196,410	\$ (153,482)	\$ (563,876)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation	185,490	451,863	92,256
Net pension expense	16,418	14,667	41,419
<i>Changes in assets and liabilities:</i>			
Receivables	57,055	39,392	44,594
Inventory	33,369	4,210	-
Landfill closure and post-closure costs	-	-	457,777
Accounts payable	(23,799)	(95,176)	152,787
Accrued payroll expenses	-	(1,970)	1,241
Customer deposits	13,878	-	-
Accrued compensated absences	(1,499)	3,502	10,628
<i>Net cash provided (used) by operating activities</i>	<u>\$ 477,322</u>	<u>\$ 263,006</u>	<u>\$ 236,826</u>

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

<u>Water</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>
\$ 2,019,102	\$ 95,515	\$ 103,618	\$ 8,724,085
(475,415)	(47,346)	(3,041)	(1,712,473)
<u>(1,138,842)</u>	<u>(42,308)</u>	<u>(70,413)</u>	<u>(5,593,588)</u>
404,845	5,861	30,164	1,418,024
-	-	-	552,642
9,179	-	-	14,044
<u>(1,542)</u>	<u>-</u>	<u>-</u>	<u>744,629</u>
7,637	-	-	1,311,315
75,981	92,881	28,650	586,296
-	-	-	(37,050)
<u>19,710</u>	<u>463</u>	<u>143</u>	<u>56,101</u>
95,691	93,344	28,793	605,347
(13,600)	-	-	(14,302)
100,147	-	17,494	673,915
(21,193)	-	-	(1,218,372)
<u>(75,523)</u>	<u>-</u>	<u>-</u>	<u>(94,504)</u>
<u>(10,169)</u>	<u>-</u>	<u>17,494</u>	<u>(653,263)</u>
498,004	99,205	76,451	2,681,423
<u>2,923,234</u>	<u>98,055</u>	<u>200,168</u>	<u>11,417,089</u>
<u>\$ 3,421,238</u>	<u>\$ 197,260</u>	<u>\$ 276,619</u>	<u>\$ 14,098,512</u>
\$ (372,805)	\$ (35,273)	\$ (126,639)	\$ (1,055,665)
761,074	35,305	152,592	1,678,580
28,175	2,442	-	103,121
54,384	3,210	22,019	220,654
(52,982)	-	-	(15,403)
-	-	-	457,777
(4,679)	(744)	-	28,389
947	921	(17,808)	(16,669)
-	-	-	13,878
<u>(9,269)</u>	<u>-</u>	<u>-</u>	<u>3,362</u>
<u>\$ 404,845</u>	<u>\$ 5,861</u>	<u>\$ 30,164</u>	<u>\$ 1,418,024</u>

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

**STATE OF NEW MEXICO**  
City of Deming  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2018

Exhibit E-1

**Assets**

Cash	<u>\$ 11,149</u>
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<i>Total assets</i>	<u><u>\$ 11,149</u></u>
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**Liabilities**

Due to other entities	<u>\$ 11,149</u>
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<i>Total liabilities</i>	<u><u>\$ 11,149</u></u>
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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, 2018

**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, 2018, the City adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, No. 81, Irrevocable Split-Interest Agreements, No. 85, Omnibus 2017, No. 86, Certain Debt Extinguishment Issues, are required to be implemented for the fiscal year ending June 30, 2018. There is no GASB No. 77 disclosure required for fiscal year 2018.

The pronouncement adopted that materially affects the financial statements and disclosures of the City for the year ended June 30, 2018 is GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The requirements of this Statement improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.

*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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

*A. Financial Reporting Entity (continued)*

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.

*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



**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

*B. Government-wide and fund financial statements (continued)*

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.

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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

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

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.

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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

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

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.

The *Motor Vehicle Fund* accounts for monies from fees of licenses, titles, and registrations. The monies are deposited into a City of Deming checking account where the State of New Mexico Department of Motor Vehicles sweeps the account daily. Any portion of fees collected due to the city is distributed monthly by NM Taxation and Revenue Department.

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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**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)*

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.

**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 \$1,023,457 at June 30, 2018 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 2018. No interest was included as part of the cost of capital assets under construction.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**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)*

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, 2018, along with applicable PERA, FICA, RHC and Medicare accruals.

**Deferred Outflows 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 has four types of items that qualify for reporting in this category related to the pension and OPEB plans which are discussed at Notes 10 and 11.

**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 two types of deferred inflows which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue - property taxes and unavailable revenue – loan receivable, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$110,731 related to property taxes. The City also has items related to the pension and OPEB plans which are discussed in Notes 10 and 11.

**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 resource’s 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.

**Postemployment Benefits Other Than Pensions (OPEB):** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA’s fiduciary net position have been determined on the same basis as they are reported by

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**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)*

NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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. 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.

**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 \$33,305 at June 30, 2018.

**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 \$1,250,439 in restricted fund balances at June 30, 2018.

**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

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**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)*

ordinance) it employed to previously commit those amounts. The City has \$958,461 in committed funds at June 30, 2018 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 \$59,356 in assigned fund balances at June 30, 2018.

**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 \$958,461 for minimum fund balance for the year ended June 30, 2018. As these amounts are an 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 34-35 and 82-83.
- 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 OPEB liabilities and related deferred inflows and outflows of resources.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**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.

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	\$ 1,090,648	\$ 1,090,648
Street Fund	\$ (635,740)	\$ (635,740)

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, 2018 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, 2018. 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



**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

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.

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. As of June 30, 2018, \$28,309,152 of the City's bank balance of \$29,512,849 was exposed to custodial credit risk. Although the \$28,309,152 was uninsured, \$19,135,329 of this amount was collateralized by collateral held by the pledging bank's trust department, not in the City's name. The remaining \$9,173,823 of the City's deposits were uninsured and uncollateralized at June 30, 2018.

	<b>First New Mexico Bank</b>	<b>First Savings Bank</b>	<b>Wells Fargo Bank</b>
Amount of deposits	\$ 19,804,885	\$ 7,376,911	\$ 2,127,356
FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>19,304,885</u>	<u>7,126,911</u>	<u>1,877,356</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the City's name	<u>10,392,058</u>	<u>6,865,915</u>	<u>1,877,356</u>
Uninsured and uncollateralized	<u>\$ 8,912,827</u>	<u>\$ 260,996</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 9,652,443	\$ 3,563,456	\$ 938,678
Pledged Collateral	<u>10,392,058</u>	<u>6,865,915</u>	<u>2,075,326</u>
Over (Under) collateralized	<u>\$ 739,615</u>	<u>\$ 3,302,459</u>	<u>\$ 1,136,648</u>

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

	<b>Western Heritage Bank</b>	<b>Total</b>
Amount of deposits	\$ 203,697	\$ 29,512,849
FDIC Coverage	(203,697)	(1,203,697)
Total uninsured public funds	<u>-</u>	<u>28,309,152</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the City's name	-	19,135,329
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 9,173,823</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ 14,154,577
Pledged Collateral	-	19,333,299
Over (Under) collateralized	<u>\$ -</u>	<u>\$ 5,178,722</u>

The collateral pledged is listed on Schedule II 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**

Credit Risk

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2018, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Weighted Average Maturities</b>	<b>Fair Value</b>	<b>Rating**</b>
GNMA Securities	<1 year	\$ 2,925	Not Rated
U.S. Treasury Securities	<1 year	2,987,633	Aaa
LGIP	50 Days (R); 100 Days (F)	960	AAAm
Municipal Bonds	<1 year	227,826	Aa
		<u>\$ 3,219,344</u>	

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

The investments are listed on Schedule I 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 \$44,091. The total amount is invested in US Treasury Notes.

**STATE OF NEW MEXICO**  
City of Deming  
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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. The investments in Municipal Bonds and U.S. Treasury Money Market Funds represent 7% and 92%, respectively, of the investment portfolio. 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, 2018:

<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
\$ 3,219,344	\$ 3,216,419	\$ 2,925	\$ -

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

**Reconciliation to the Statement of Net Position**

Cash and cash equivalents per Exhibit A-1	\$ 27,864,169
Restricted cash and cash equivalents per Exhibit A-1	1,023,457
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	11,149
Investments per Exhibit A-1	<u>3,387,591</u>
Total cash, investments, and cash equivalents	<u>32,286,366</u>
Add: outstanding checks and other reconciling items	449,527
Less: NMFA restricted accounts	(44,091)
Less: Government National Mortgage Association Securities	(2,925)
Less: LGIP	(960)
Less: U.S. Treasury Notes	(2,943,542)
Less: Municipal Bonds	(227,826)
Less: petty cash	<u>(3,700)</u>
Bank balance of deposits	<u>\$ 29,512,849</u>

**NOTE 4. Receivables**

Governmental receivables as of June 30, 2018 are comprised of the following:

	<b>General</b>	<b>Street</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Ambulance receivable	\$ 803,154	\$ -	\$ -	\$ 803,154
Less: allowance for uncollectable	<u>(591,547)</u>	<u>-</u>	<u>-</u>	<u>(591,547)</u>
Ambulance receivable, net	<u>211,607</u>	<u>-</u>	<u>-</u>	<u>211,607</u>
Taxes receivable:				
Gross receipts taxes	1,722,555	-	-	1,722,555
Property taxes	144,226	-	-	144,226
Franchise taxes	40,968	-	-	40,968
Lodgers taxes	-	-	21,974	21,974
Oil and gas taxes	-	58,618	-	58,618
MVD taxes	12,000	12,353	-	24,353
Total taxes receivable	<u>1,919,749</u>	<u>70,971</u>	<u>21,974</u>	<u>2,012,694</u>
Due from other governments:				
State grants	<u>136,870</u>	<u>229,634</u>	<u>-</u>	<u>366,504</u>
Total due from other governme	<u>136,870</u>	<u>229,634</u>	<u>-</u>	<u>366,504</u>
Accounts receivable, net	<u>\$ 2,268,226</u>	<u>\$ 300,605</u>	<u>\$ 21,974</u>	<u>\$ 2,590,805</u>

**STATE OF NEW MEXICO**  
City of Deming  
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June 30, 2018

**NOTE 4. Receivables (continued)**

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$110,731 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, 2018.

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, 2018 are comprised of the following:

	<u>Gas</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>
Customer receivable	\$ 166,263	\$ 131,671	\$ 232,115	\$ 231,305
Due from PNM	-	276,044	-	-
Less: allowance for uncollectable accounts	<u>(51,644)</u>	<u>(24,182)</u>	<u>(26,471)</u>	<u>(33,851)</u>
Accounts receivable, net	<u>\$ 114,619</u>	<u>\$ 383,533</u>	<u>\$ 205,644</u>	<u>\$ 197,454</u>
	<u>Cemetery</u>	<u>Airport</u>	<u>Total</u>	
Customer receivable	\$ 71,830	\$ -	\$ 833,184	
Due from PNM	-	-	276,044	
Less: allowance for uncollectable accounts	<u>(60,825)</u>	<u>-</u>	<u>(196,973)</u>	
Accounts receivable, net	<u>\$ 11,005</u>	<u>\$ -</u>	<u>\$ 912,255</u>	

The allowance for uncollectable accounts as of June 30, 2018 is \$196,973, which is based on accounts greater than 90 days.

**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	Fire Protection	\$ 138,688
Community Building	General Fund	2,449
CDBG Grant 13/14 Fund	General Fund	<u>7,374</u>
Total		<u>\$ 148,511</u>

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**NOTE 5. Interfund Receivables, Payables, and Transfers (continued)**

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>
Fire Protection Fund	Fire Station Remodel Loan- NMFA	\$ 61,024
Gas	General Fund	1,542
General Fund	CDBG Grant 13/14	59,528
General Fund	Swimming Pool Fund	90,000
General Fund	LibraryFund	180,000
General Fund	Recreation Fund	90,000
General Fund	Community Building Fund	470,000
General Fund	Sewer	750,000
General Fund	Streets	596,000
Lodgers Tax Fund	Lodgers Tax Promotional Fund	159,201
General Fund	Revenue Bond	187,137
Sewer	General Fund	1,542
Solid Waste	General Fund	745
Streets Fund	General Fund	1,542
Water	General Fund	1,542
	Total	<u>\$ 2,649,803</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, 2018. Land and construction in progress are not subject to depreciation.

**Governmental Activities:**

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>Balance June 30, 2018</u>
depreciated:				
Land	\$ 6,779,714	\$ -	\$ -	\$ 6,779,714
Construction in progress	1,264,660	1,915,972	(1,821,120)	1,359,512
Total not being depreciated	<u>8,044,374</u>	<u>1,915,972</u>	<u>(1,821,120)</u>	<u>8,139,226</u>
Capital assets being depreciated:				
Buildings and improvements	14,170,745	5,410	304,471	14,480,626
Equipment	9,299,404	859,546	(68,742)	10,090,208
Infrastructure	57,059,741	-	1,516,649	58,576,390
Total being depreciated	<u>80,529,890</u>	<u>864,956</u>	<u>1,752,378</u>	<u>83,147,224</u>
Total capital assets	<u>88,574,264</u>	<u>2,780,928</u>	<u>(68,742)</u>	<u>91,286,450</u>
Accumulated depreciation:				
Buildings and improvements	5,398,716	326,369	-	5,725,085
Equipment	7,343,592	613,626	(68,742)	7,888,476
Infrastructure	33,480,848	1,158,213	-	34,639,061
Total accumulated depreciation	<u>46,223,156</u>	<u>2,098,208</u>	<u>(68,742)</u>	<u>48,252,622</u>
Capital assets, net	<u>\$ 42,351,108</u>	<u>\$ 682,720</u>	<u>\$ -</u>	<u>\$ 43,033,828</u>

Depreciation expense for the year ended June 30, 2018 was charged to the functions of the governmental activities as follows:

General	\$ 213,229
Public Safety	509,540
Public works	1,220,986
Culture and Recreation	145,626
Health and Welfare	8,827
Total	<u>\$ 2,098,208</u>

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**NOTE 6. Capital Assets (continued)**

**Business-type Activities:**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
depreciated:				
Land	\$ 7,072,674	\$ -	\$ -	\$ 7,072,674
Construction in progress	779,959	760,281	(49,129)	1,491,111
Total not being depreciated	<u>7,852,633</u>	<u>760,281</u>	<u>(49,129)</u>	<u>8,563,785</u>
Capital assets being depreciated:				
Buildings and improvements	14,031,144	-	-	14,031,144
Utility System	28,505,535	-	-	28,505,535
Airport infrastructure	4,745,648	-	-	4,745,648
Equipment	7,636,465	507,220	(9,050)	8,134,635
Total being depreciated	<u>54,918,792</u>	<u>507,220</u>	<u>(9,050)</u>	<u>55,416,962</u>
Total capital assets	<u>62,771,425</u>	<u>1,267,501</u>	<u>(58,179)</u>	<u>63,980,747</u>
Accumulated depreciation:				
Buildings and improvements	4,280,652	275,838	-	4,556,490
Utility System	13,195,425	782,571	-	13,977,996
Airport infrastructure	724,571	107,209	-	831,780
Equipment	5,061,427	512,962	(9,050)	5,565,339
Total accumulated depreciation	<u>23,262,075</u>	<u>1,678,580</u>	<u>(9,050)</u>	<u>24,931,605</u>
Capital assets, net	<u>\$ 39,509,350</u>	<u>\$ (411,079)</u>	<u>\$ (49,129)</u>	<u>\$ 39,049,142</u>

Depreciation expense for the year ended June 30, 2018 was charged to the proprietary funds as follows:

Gas	\$ 185,490
Sewer	451,863
Solid Waste	92,256
Water	761,074
Cemetery	35,305
Airport	152,592
Total	<u>\$ 1,678,580</u>



**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 7. Long-term Debt**

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

**Governmental Activities:**

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
NMFA Loans	\$ 922,510	\$ -	\$ 39,673	\$ 882,837	\$ 40,673
GRT Hold harmless Bonds	538,000	-	174,000	364,000	180,000
Compensated Absences	414,056	253,282	270,085	397,253	-
<b>Total</b>	<b>\$ 1,874,566</b>	<b>\$ 253,282</b>	<b>\$ 483,758</b>	<b>\$ 1,644,090</b>	<b>\$ 220,673</b>

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the business-type activities:

**Business-type Activities:**

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
NMFA Loans	\$ 1,854,573	\$ -	\$ 94,504	\$ 1,760,069	\$ 97,490
Landfill closure and postclosure	438,070	457,777	-	895,847	-
Compensated Absences	118,359	77,081	72,798	122,642	-
<b>Total</b>	<b>\$ 2,411,002</b>	<b>\$ 534,858</b>	<b>\$ 167,302</b>	<b>\$ 2,778,558</b>	<b>\$ 97,490</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, 2018. 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 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  
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**NOTE 7. Long-term Debt (continued)**

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance June 30, 2018</u>
NMFA Loan #11	06/24/11	05/01/35	2.634%	\$ 1,000,000	\$ 822,100
NMFA Loan #14	09/20/13	05/01/35	1.149%	1,206,142	1,048,209
NMFA Loan #15	12/19/14	06/01/34	0.250%	320,142	264,480
NMFA Loan #18	05/01/15	06/01/35	0.250%	407,082	347,329
NMFA Loan #19	11/20/15	06/01/35	0.000%	48,781	42,460
NMFA Loan #20	11/20/15	06/01/35	0.000%	69,778	60,737
NMFA Loan #21	05/20/16	06/01/36	0.000%	15,102	13,591
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	364,000
Total Loans and Bonds Payable					<u><u>\$ 3,006,906</u></u>

There are no federal arbitrage regulations applicable to the loans at June 30, 2018.

The annual requirements to amortize the governmental activity loans and GRT Hold harmless Bonds as of June 30, 2018, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 220,673	\$ 30,781	\$ 251,454
2020	225,473	26,156	251,629
2021	42,573	21,317	63,890
2022	43,773	20,016	63,789
2023	45,073	18,598	63,671
2024-2028	248,665	67,434	316,099
2029-2033	295,463	16,298	311,761
2034-2038	125,144	-	125,144
Total	<u><u>\$ 1,246,837</u></u>	<u><u>\$ 200,600</u></u>	<u><u>\$ 1,447,437</u></u>

**STATE OF NEW MEXICO**  
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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, 2018, including interest payments are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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	100,507	10,651	111,158
2024-2028	513,952	41,845	555,797
2029-2033	534,120	21,674	555,794
2034-2038	216,826	2,681	219,507
<b>Total</b>	<b>\$ 1,760,069</b>	<b>\$ 126,826</b>	<b>\$ 1,886,895</b>

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, 2018, compensated absences for governmental activities decreased \$16,803 from the prior year accrual. For business-type activities compensated absences increased by \$4,283.

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, 2018 was adjusted from a current year study which increased the compacity of the site from the previous amount that was used to calculate the liability. From this study, there is no liability at this time. 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 20% and the estimated remaining life of the landfill is estimated to be 32 years. The estimated total current costs of closure and post-closure costs to be recognized is \$948,552, and the City recognized expenses totaling \$22,137 in current year. 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.

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

Old Deming Landfill

In the prior year the old Deming landfill was closed. A new study was issued in fiscal year 2018, and the cost was increased. From this study, an expense of \$435,640 was recognized in fiscal year 2018 to increase the long-term liability related relating to the post closure cost liability totaling \$707,146. 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

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 Self Insurers' Fund. 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 fund had deficit fund balances for the year ended June 30, 2018.

**Non-major Funds**

Fire Protection Special Revenue Fund	\$ 66,452
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- 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, 2018.
- 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, 2018.

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**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.

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

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

<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 –***

**For PERA Fund Municipal General Division** at June 30, 2018, the City reported a liability of \$5,521,071 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

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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, 2017, the City's proportion was 0.4018%, which was an increase of 0.0071% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, The City recognized PERA Fund Municipal General Division pension expense of \$597,233. At June 30, 2018, The City reported PERA Fund Municipal General 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	\$ 254,603	\$ 57,053
Changes in proportion	12,291	129,490
Difference between expected and actual experience	216,941	282,773
Net difference between projected and actual earnings on pension plan investments	452,971	-
City's contributions subsequent to the measurement date	<u>329,745</u>	<u>-</u>
Total	<u>\$ 1,266,551</u>	<u>\$ 469,316</u>

\$329,745 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>	
2019	\$ 85,755
2020	457,764
2021	56,350
2022	(132,379)
Thereafter	<u>-</u>
Total	<u>\$ 467,490</u>

**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, 2018, the City reported a liability of \$3,944,515 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

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, 2017, The City’s proportion was 0.71 percent, which was a decrease of 0.0519% percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Police Division pension expense of \$446,832. At June 30, 2018, 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	\$ 234,685	\$ 91,723
Changes in proportion	68,204	204,535
Difference between expected and actual experience	239,570	736,994
Net difference between projected and actual earnings on pension plan investments	317,677	-
City's contributions subsequent to the measurement date	<u>295,766</u>	<u>-</u>
Total	<u>\$ 1,155,902</u>	<u>\$ 1,033,252</u>

\$295,766 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>	
2019	\$ (53,257)
2020	149,832
2021	(176,807)
2022	(92,884)
Thereafter	-
Total	<u>\$ (173,116)</u>



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

**For PERA Fund Municipal Fire Division**, at June 30, 2018, the City reported a liability of \$3,704,635 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.6475 percent, which was a decrease of 0.0203 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Fire Division pension expense of \$358,131. At June 30, 2018, the City reported PERA Fund Municipal Fire 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	\$ 146,459	\$ 23,226
Changes in proportion	-	133,631
Difference between expected and actual experience	120,964	463,881
Net difference between projected and actual earnings on pension plan investments	139,068	-
City's contributions subsequent to the measurement date	165,120	-
Total	\$ 571,611	\$ 620,738

\$165,120 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ (54,076)
2020	525
2021	(120,629)
2022	(40,068)
Thereafter	-
	\$ (214,248)

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

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**PERA FUND**

<b>PERA</b>	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 9 years, then 3.254% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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
Total	100.00%	

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

*Discount rate.* A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

**PERA Fund Municipal General Division**

	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
City's proportionate share of the net pension liability	\$ 8,653,343	\$ 5,521,071	\$ 2,916,152

**PERA Fund Municipal Police Division**

	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
City's proportionate share of the net pension liability	\$ 6,290,408	\$ 3,944,515	\$ 2,019,364

**PERA Fund Municipal Fire Division**

	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
City's proportionate share of the net pension liability	\$ 4,965,170	\$ 3,704,635	\$ 2,665,839

*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.** At June 30, 2018, the City had payables to the plan in the amount of \$28,151.

**STATE OF NEW MEXICO**  
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**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan**

General Information about the OPEB

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

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

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms** – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$189,037 for the year ended June 30, 2018.

**STATE OF NEW MEXICO**  
City of Deming  
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June 30, 2018

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

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

At June 30, 2018, the City reported a liability of \$6,950,680 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City's proportion was 0.15338 percent.

For the year ended June 30, 2018, the City recognized OPEB expense of \$276,333. At June 30, 2018 The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ -	\$ 266,730
Net difference between expected and actual investments on OPEB plan investments	-	99,990
Change in assumptions	-	1,215,239
City's contributions subsequent to the measurement date	125,394	-
Total	\$ 125,394	\$ 1,581,959

Deferred outflows of resources totaling \$125,394 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$ (336,335)
2020	(336,335)
2021	(336,335)
2022	(336,335)
2023	(236,619)

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis

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

Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

**Discount Rate.** The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

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

***Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.***

The following presents the net OPEB liability of The City, as well as what The City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
City's proportionate share of the net OPEB liability	\$ 8,431,067	\$ 6,950,680	\$ 5,789,184

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

	<b>Trend Rate Sensitivity Analysis</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
City's proportionate share of the net OPEB liability	\$ 5,912,032	\$ 6,950,680	\$ 7,760,569

***OPEB plan fiduciary net position.*** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the City reported a payable of \$7,347 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

**NOTE 12. Joint Powers Agreements**

**City of Deming and Luna City Multi-Services Agreement 2017-2020**

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, 2017 through June 30, 2020, renewable
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	City of Deming

**STATE OF NEW MEXICO**  
City of Deming  
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**NOTE 12. Joint Powers Agreements (continued)**

**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, 2017 through June 30, 2019, renewable
Amount of project	Unknown
City contributions	\$60,000 initial contribution
Audit responsibility	Grant City Auditors

**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.



**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**NOTE 12. Joint Powers Agreements (continued)**

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 Self Insurers' Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.

**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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

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

The City has committed to pay for several construction contracts that were not completed at June 30, 2018 in the amount of \$1,431,293 as follows:

<u>Contract</u>	<u>Year Ending</u>	<u>Amount</u>
Smith Engineering Company	6/30/2019	\$ 89,764
CES - Country Club Drainage Construction	6/30/2019	74,120
CES - Florida Multi-Use Path	6/30/2019	128,395
CES - Hickory/Nickel St Pavement Rehab	6/30/2019	173,211
FNF Construction - Ash/Oak Pavement Rehab	6/30/2019	105,022
HK Advertising	6/30/2019	133,500
Deming Gem & Mineral Society	6/30/2019	5,000
Luna County Chamber of Commerce - Salsa Fest	6/30/2019	1,500
Great American Duck Races	6/30/2019	4,000
Luna County Historical Society - TDC	6/30/2019	5,500
Stantec Consulting Services Inc.	6/30/2019	82,673
Centurion Planning & Design LLC	6/30/2019	20,000
Souder Miller & Associates	6/30/2019	30,464
Deming Luna County Humane Society	6/30/2019	100,000
Rio Mimbres Corporation	6/30/2019	85,000
Deming Luna County Commission on Aging	6/30/2019	90,000
EMS Billing	6/30/2019	60,000
Rural Transportation District	6/30/2019	60,000
Sky's the Limit Cleaning Service	6/30/2019	55,857
Carolina's Cleaning Service	6/30/2019	12,286
Luna County Historical Society	6/30/2019	50,000
Visitor's Center	6/30/2019	35,000
Deming MainStreet Program	6/30/2019	<u>30,000</u>
		<u>\$ 1,431,293</u>

**NOTE 16. Prior Period Adjustments**

The City has a prior period adjustment of (\$8,256,305) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$8,387,991) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$131,686.

**NOTE 17. Subsequent Events**

The City has entered into a Bond Purchase Agreement with New Mexico Finance Authority with deliverance of its General Obligation Bond, Series 2018 on August 17, 2018 in the amount of \$1,500,000.

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 1, 2018 which is the date on which the financial statements were issued. No issues were noted for disclosure at December 1, 2018.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to the Financial Statements  
June 30, 2018

**NOTE 18. 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 19. Restricted Net Position**

The government-wide statement of net position reports \$1,465,041 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 34-35 and 82-83.

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**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\*

Schedule A-1  
Page 1 of 3

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>
	<b>Date (As of and</b>	<b>Date (As of and</b>	<b>Date (As of and</b>	<b>Date (As of and</b>
	<b>for the year</b>	<b>for the year</b>	<b>for the year</b>	<b>for the year</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
City of Deming's proportion of the net pension liability	0.4018%	0.4089%	0.4066%	0.4285%
City of Deming's proportionate share of the net pension liability	\$ 5,521,071	\$ 6,532,847	\$ 4,145,639	\$ 3,342,760
City of Deming's covered payroll	\$ 3,527,764	\$ 3,498,183	\$ 3,406,825	\$ 3,490,310
City of Deming's proportionate share of the net pension liability as a percentage	156.50%	186.75%	121.69%	95.77%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\* 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\*

Schedule A-1  
Page 2 of 3

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>
	<b>Date (As of and</b>	<b>Date (As of and</b>	<b>Date (As of and</b>	<b>Date (As of and</b>
	<b>for the year</b>	<b>for the year</b>	<b>for the year</b>	<b>for the year</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b><u>June 30, 2017)</u></b>	<b><u>June 30, 2016)</u></b>	<b><u>June 30, 2015)</u></b>	<b><u>June 30, 2014)</u></b>
City of Deming's proportion of the net pension liability	0.7100%	0.7619%	0.7341%	0.7329%
City of Deming's proportionate share of the net pension liability	\$ 3,944,515	\$ 5,621,525	\$ 3,529,964	\$ 2,389,174
City of Deming's covered payroll	\$ 1,456,696	\$ 1,518,105	\$ 1,440,802	\$ 1,409,359
City of Deming's proportionate share of the net pension liability as a percentage	270.79%	370.30%	245.00%	169.52%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\* 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.

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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>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>	<b>Measurement</b>
	<b>Date (As of and</b>	<b>Date (As of and</b>	<b>Date (As of and</b>	<b>Date (As of and</b>
	<b>for the year</b>	<b>for the year</b>	<b>for the year</b>	<b>for the year</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b><u>June 30, 2017)</u></b>	<b><u>June 30, 2016)</u></b>	<b><u>June 30, 2015)</u></b>	<b><u>June 30, 2014)</u></b>
City of Deming's proportion of the net pension liability	0.6475%	0.6678%	0.6787%	0.6969%
City of Deming's proportionate share of the net pension liability	\$ 3,704,635	\$ 4,454,905	\$ 3,502,894	\$ 2,908,856
City of Deming's covered payroll	\$ 786,196	\$ 775,699	\$ 775,657	\$ 776,437
City of Deming's proportionate share of the net pension liability as a percentage	471.21%	574.31%	451.60%	374.64%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\* 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.

**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 June 30, 2018</b>	<b>As of and for the year ended June 30, 2017</b>	<b>As of and for the year ended June 30, 2016</b>	<b>As of and for the year ended June 30, 2015</b>
Contractually required contribution	\$ 329,745	\$ 325,627	\$ 386,196	\$ 393,966
Contributions in relation to the contractually required contribution	<u>(329,745)</u>	<u>(325,627)</u>	<u>(386,196)</u>	<u>(393,966)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Deming's covered payroll	\$ 3,452,835	\$ 3,527,764	\$ 3,498,183	\$ 3,406,825
Contributions as a percentage of covered payroll	9.55%	9.23%	11.04%	12.00%

\* 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.

**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, 2018</b>	<b>As of and for the year ended June 30, 2017</b>	<b>As of and for the year ended June 30, 2016</b>	<b>As of and for the year ended June 30, 2015</b>
Contractually required contribution	\$ 295,766	\$ 275,316	\$ 332,308	\$ 333,380
Contributions in relation to the contractually required contribution	<u>(295,766)</u>	<u>(275,316)</u>	<u>(332,308)</u>	<u>(333,380)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Deming's covered payroll	\$ 1,564,897	\$ 1,456,696	\$ 1,518,105	\$ 1,440,802
Contributions as a percentage of covered payroll	18.90%	18.90%	22%	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.

**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, 2018</b>	<b>As of and for the year ended June 30, 2017</b>	<b>As of and for the year ended June 30, 2016</b>	<b>As of and for the year ended June 30, 2015</b>
Contractually required contribution	\$ 165,120	\$ 170,211	\$ 179,626	\$ 191,691
Contributions in relation to the contractually required contribution	<u>(165,120)</u>	<u>(170,211)</u>	<u>(179,626)</u>	<u>(191,691)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Deming's covered payroll	\$ 762,682	\$ 786,196	\$ 775,699	\$ 775,657
Contributions as a percentage of covered payroll	21.65%	21.65%	23%	25%

\* 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.

**STATE OF NEW MEXICO**  
City of Deming  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2018

**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 2017 report is available at <http://www.nmpera.org/>

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

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Proportionate Share of the Net OPEB Liability  
Retiree Health Care OPEB Plan  
Last 10 Fiscal Years\*

Schedule B-1

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
City of Deming's proportion of the net OPEB liability (asset)	0.15338%
City of Deming's proportionate share of the net OPEB liability (asset)	\$ 6,950,680
City of Deming's covered payroll	5,771,643
City of Deming's proportionate share of the net OPEB liability as a percentage of its covered payroll	120%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

\* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Deming is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Contributions  
Retiree Health Care OPEB Plan  
Last 10 Fiscal Years\*

Schedule B-2

	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contribution	\$ 125,394
Contributions in relation to the contractually required contribution	125,394
Contribution deficiency (excess)	\$ -
City of Deming's covered payroll	5,782,084
Contribution as a percentage of covered payroll	2.17%

\* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Deming is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Notes to Required Supplementary Information**

**RHC Plan**

*Changes of benefit provisions:* There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard

*Change in assumptions and methods:* There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard

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

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## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Fund Descriptions  
June 30, 2018

**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, 2018

**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, 2018

**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	\$ -	\$ 107,941	\$ 488	\$ 43,739
Investments	-	-	-	16,702
Receivables:				
Other taxes receivable	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 107,941</u>	<u>\$ 488</u>	<u>\$ 60,441</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 35,705	\$ -	\$ 1,380
Accrued payroll expenses	-	-	-	2,742
Due to other funds	-	138,688	-	-
<i>Total liabilities</i>	<u>-</u>	<u>174,393</u>	<u>-</u>	<u>4,122</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	488	-
Culture and recreation	-	-	-	56,319
Promotion	-	-	-	-
Transportation and roads	-	-	-	-
Debt service	-	-	-	-
Assigned to:				
Economic development	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	(66,452)	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(66,452)</u>	<u>488</u>	<u>56,319</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ 107,941</u>	<u>\$ 488</u>	<u>\$ 60,441</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>
\$ 137,193	\$ 104,059	\$ 4,037	\$ 675	\$ 51,940
-	-	-	-	-
21,974	-	-	-	-
-	-	-	-	-
<u>\$ 159,167</u>	<u>\$ 104,059</u>	<u>\$ 4,037</u>	<u>\$ 675</u>	<u>\$ 51,940</u>
\$ 697	\$ -	\$ 3,023	\$ -	\$ 158
-	-	-	-	-
-	-	-	-	-
<u>697</u>	<u>-</u>	<u>3,023</u>	<u>-</u>	<u>158</u>
-	-	-	-	-
-	-	1,014	675	-
158,470	104,059	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	51,782
-	-	-	-	-
<u>158,470</u>	<u>104,059</u>	<u>1,014</u>	<u>675</u>	<u>51,782</u>
<u>\$ 159,167</u>	<u>\$ 104,059</u>	<u>\$ 4,037</u>	<u>\$ 675</u>	<u>\$ 51,940</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2018

	<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	\$ 62,560	\$ 24,888	\$ 100	\$ 100
Investments	-	-	-	-
Receivables:				
Other taxes receivable	-	-	-	-
Due from other funds	2,449	-	7,374	-
<i>Total assets</i>	<u>\$ 65,009</u>	<u>\$ 24,888</u>	<u>\$ 7,474</u>	<u>\$ 100</u>
<i>Liabilities</i>				
Accounts payable	\$ 5,661	\$ 2,419	\$ -	\$ -
Accrued payroll expenses	3,852	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>9,513</u>	<u>2,419</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	55,496	22,469	-	-
Promotion	-	-	-	-
Transportation and roads	-	-	-	100
Debt service	-	-	-	-
Assigned to:				
Economic development	-	-	-	-
Capital improvements	-	-	7,474	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>55,496</u>	<u>22,469</u>	<u>7,474</u>	<u>100</u>
<i>Total liabilities and fund balances</i>	<u>\$ 65,009</u>	<u>\$ 24,888</u>	<u>\$ 7,474</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	\$ 341,825	\$ -	\$ 879,645	
-	-	-	16,702	
-	-	-	21,974	
-	-	-	9,823	
<u>\$ 100</u>	<u>\$ 341,825</u>	<u>\$ -</u>	<u>\$ 928,144</u>	
\$ -	\$ -	\$ -	\$ 49,043	
-	-	-	6,594	
-	-	-	138,688	
-	-	-	194,325	
-	-	-	488	
-	-	-	135,973	
-	-	-	262,529	
-	-	-	100	
-	341,825	-	341,825	
-	-	-	51,782	
100	-	-	7,574	
-	-	-	(66,452)	
<u>100</u>	<u>341,825</u>	<u>-</u>	<u>733,819</u>	
<u>\$ 100</u>	<u>\$ 341,825</u>	<u>\$ -</u>	<u>\$ 928,144</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, 2018

	<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	51,373	208,583	39,200	55,945
Charges for services	-	-	-	6,629
Investment income	-	-	-	74
Miscellaneous	-	-	-	6,666
<b>Total revenues</b>	<b>51,373</b>	<b>208,583</b>	<b>39,200</b>	<b>69,314</b>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	25,236	47,015	39,909	-
Culture and recreation	-	-	-	228,032
Health and welfare	-	-	-	-
Capital outlay	26,583	439,965	-	5,577
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>51,819</b>	<b>486,980</b>	<b>39,909</b>	<b>233,609</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(446)</b>	<b>(278,397)</b>	<b>(709)</b>	<b>(164,295)</b>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	180,000
Transfers (out)	-	(61,024)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(61,024)</b>	<b>-</b>	<b>180,000</b>
<i>Net change in fund balances</i>	<b>(446)</b>	<b>(339,421)</b>	<b>(709)</b>	<b>15,705</b>
<i>Fund balances - beginning of year</i>	<b>446</b>	<b>272,969</b>	<b>1,197</b>	<b>40,614</b>
<i>Fund balances - end of year</i>	<b>\$ -</b>	<b>\$ (66,452)</b>	<b>\$ 488</b>	<b>\$ 56,319</b>

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>
\$ 430,456	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	2,811	30,000	-	-
-	-	-	-	61,992
-	-	-	-	-
-	-	-	-	1,000
<u>430,456</u>	<u>2,811</u>	<u>30,000</u>	<u>-</u>	<u>62,992</u>
-	-	-	-	-
-	-	-	-	-
193,094	146,841	142,350	-	-
-	-	-	-	118,138
-	-	-	-	-
-	-	-	-	-
<u>193,094</u>	<u>146,841</u>	<u>142,350</u>	<u>-</u>	<u>118,138</u>
<u>237,362</u>	<u>(144,030)</u>	<u>(112,350)</u>	<u>-</u>	<u>(55,146)</u>
-	159,201	90,000	-	-
(159,201)	-	-	-	-
<u>(159,201)</u>	<u>159,201</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
78,161	15,171	(22,350)	-	(55,146)
<u>80,309</u>	<u>88,888</u>	<u>23,364</u>	<u>675</u>	<u>106,928</u>
<u>\$ 158,470</u>	<u>\$ 104,059</u>	<u>\$ 1,014</u>	<u>\$ 675</u>	<u>\$ 51,782</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, 2018

	<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	-	-	357,279	-
State operating grants	-	-	-	-
Charges for services	2,650	32,928	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,650</u>	<u>32,928</u>	<u>357,279</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	445,365	80,640	-	-
Health and welfare	-	-	-	-
Capital outlay	-	4,118	403,241	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>445,365</u>	<u>84,758</u>	<u>403,241</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(442,715)</u>	<u>(51,830)</u>	<u>(45,962)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	470,000	90,000	59,528	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>470,000</u>	<u>90,000</u>	<u>59,528</u>	<u>-</u>
<i>Net change in fund balances</i>	27,285	38,170	13,566	-
<i>Fund balances - beginning of year</i>	<u>28,211</u>	<u>(15,701)</u>	<u>(6,092)</u>	<u>100</u>
<i>Fund balances - end of year</i>	<u>\$ 55,496</u>	<u>\$ 22,469</u>	<u>\$ 7,474</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>
\$ -	\$ -	\$ -	\$ 430,456
-	-	-	357,279
-	-	-	387,912
-	-	-	104,199
-	-	-	74
-	-	-	7,666
-	-	-	<u>1,287,586</u>
-	163,056	-	163,056
-	-	-	112,160
-	-	-	1,236,322
-	-	-	118,138
-	-	-	879,484
-	174,000	36,100	210,100
-	13,137	24,924	38,061
-	<u>350,193</u>	<u>61,024</u>	<u>2,757,321</u>
-	<u>(350,193)</u>	<u>(61,024)</u>	<u>(1,469,735)</u>
-	187,137	61,024	1,296,890
-	-	-	(220,225)
-	<u>187,137</u>	<u>61,024</u>	<u>1,076,665</u>
-	(163,056)	-	(393,070)
<u>100</u>	<u>504,881</u>	<u>-</u>	<u>1,126,889</u>
<u>\$ 100</u>	<u>\$ 341,825</u>	<u>\$ -</u>	<u>\$ 733,819</u>

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, 2018

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	\$ 14,328,770	\$ 32,112	\$ 998,762	\$ 13,362,120
Ambulance Billing	Checking	382,891	-	89	382,802
Payroll Clearing	Checking	143,320	-	143,320	-
CDBG Planning	Checking	100	-	-	100
CDBG	Checking	100	-	-	100
MVD	Checking	5,930	-	-	5,930
Judicial Bond	Checking	2,621	-	-	2,621
GSFWC	Checking	2,598	-	-	2,598
Golden Savings	Savings	4,929,914	-	3,685	4,926,229
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>19,804,885</u>	<u>32,112</u>	<u>1,145,856</u>	<u>18,691,141</u>
<b>First Savings Bank</b>					
Utility Operating	Checking	6,724,897	742,060	63,551	7,403,406
Meter Deposit	Checking	615,978	500	14,790	601,688
Prepaid Energy	Checking	36,036	-	2	36,034
<i>Total First Savings Bank</i>		<u>7,376,911</u>	<u>742,560</u>	<u>78,343</u>	<u>8,041,128</u>
<b>Wells Fargo Bank</b>					
General Fund - Payroll	Checking	27,356	-	-	27,356
Savings Account	Savings	2,100,000	-	-	2,100,000
<i>Total Wells Fargo Bank</i>		<u>2,127,356</u>	<u>-</u>	<u>-</u>	<u>2,127,356</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>
<i>Bank balance of deposits</i>		<u>\$ 29,512,849</u>	<u>\$ 774,672</u>	<u>\$ 1,224,199</u>	<u>\$29,063,322</u>
<b>New Mexico Finance Authority-Investment (Restricted Cash Equivalent)</b>					
Deming 11 - Debt Service Funds held in NMFA		\$ 32,024	\$ -	\$ -	\$ 32,024
Deming 14 - Debt Service Funds held in NMFA		12,067	-	-	12,067
<i>Total New Mexico Finance Authority</i>		<u>44,091</u>	<u>-</u>	<u>-</u>	<u>44,091</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	\$ 2,925	\$ -	\$ -	\$ 2,925
<i>Total Multi-Bank Securities</i>		<u>2,925</u>	<u>-</u>	<u>-</u>	<u>2,925</u>
<b>Ameritrade / CarterBain</b>					
3130A8KD4	US Treasury	240,280	-	-	240,280
3133EGKC8	US Treasury	288,555	-	-	288,555
3134G95B9	US Treasury	296,334	-	-	296,334
3136G3CC7	US Treasury	255,450	-	-	255,450
3136G3UL7	US Treasury	243,115	-	-	243,115
3136G3XF7	US Treasury	95,520	-	-	95,520
912828A75	US Treasury	498,320	-	-	498,320
313381GB5	US Treasury	14,931	-	-	14,931
3130A9A92	US Treasury	199,676	-	-	199,676
3134G9V95	US Treasury	99,024	-	-	99,024
3134GAFW9	US Treasury	9,928	-	-	9,928
Money Market	US Money Market	47,720	-	-	47,720
912828U40	US Treasury	258,842	-	-	258,842
912823S7	US Treasury	99,246	-	-	99,246
912828WY2	US Treasury	296,601	-	-	296,601
<i>Total Ameritrade/CarterBain</i>		<u>2,943,542</u>	<u>-</u>	<u>-</u>	<u>2,943,542</u>
<b>George K. Baum &amp; Company</b>					
Municipal Bonds	Bond	227,826	-	-	227,826
<i>Total George K. Baum &amp; Company</i>		<u>227,826</u>	<u>-</u>	<u>-</u>	<u>227,826</u>
<b>NM State Treasurer's Office</b>					
LGIP	Investment Pool	960	-	-	960
<i>Total NM State Treasurer's Office</i>		<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
<i>Total investments</i>		<u>3,219,344</u>	<u>-</u>	<u>-</u>	<u>3,219,344</u>
<i>Total</i>		<u>\$ 32,732,193</u>	<u>\$ 774,672</u>	<u>\$ 1,224,199</u>	<u>32,282,666</u>
Add: petty cash					<u>3,700</u>
<i>Total deposits and investments</i>					<u>\$32,286,366</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$27,864,169
Investments - Exhibit A-1					3,387,591
Restricted cash and cash equivalents - Exhibit A-1					1,023,457
Fiduciary funds cash - Exhibit E-1					<u>11,149</u>
<i>Total cash, cash equivalents, and investments</i>					<u>\$32,286,366</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Collateral Pledged by Depository  
For Public Funds  
June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018
<b>First New Mexico Bank</b>				
	FHLB	6/30/2025	3130A8JV6	\$ 945,049
	HOBBS	4/15/2025	433866DS6	526,425
	ALAM	8/1/2024	011464GZ1	485,765
	BLOO	8/15/2018	094072BU8	125,261
	CARL	6/1/2021	14272PAM8	280,530
	FHLB	3/10/2023	313382AX1	968,333
	GRAN	11/15/2018	388240ES8	501,040
	LEA	6/15/2019	521513AV3	507,140
	LEA	6/15/2023	521513BK6	500,430
	LOSA	8/1/2022	54422NCM6	409,188
	PENA	9/1/2023	706593ANO	144,273
	SOUT	8/1/2021	843789EW4	179,401
	FHLB	12/14/2026	3130AAAZ1	957,990
	CHAVES	8/1/2018	162634BN8	501,315
	CLOV	6/1/2024	189387CM3	389,374
	FFCB	10/23/2020	31331VA30	1,067,449
	DULC	3/1/2019	264430HK8	509,020
	FFCB	4/1/2022	31331YA26	1,394,075
<i>Total First New Mexico Bank</i>				<b>10,392,058</b>

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

<b>First Savings Bank</b>				
	FHLMC 10YR	4/1/2022	31294MN72	67,469
	FHLMC 10YR	3/1/2023	31307BJV3	46,286
	FHLMC 10YR	3/1/2023	31307BJV3	46,286
	FHLMC 10YR	3/1/2023	31307BJW1	145,872
	FNMA 15YR	4/1/2027	3138EBH40	136,784
	FNMA 15YR	4/1/2027	3138EBH40	255,330
	FHLMC 15YR	5/1/2027	3128MDEC3	423,696
	GNR 2012-96 1.50%	8/20/2027	38378HAU0	117,290
	FNMA 15YR	11/1/2027	3138MJWW5	96,713
	FNMA 15YR	11/1/2027	3138MJWW5	174,084
	FHR 4136 NG	11/15/2027	3137AWKN4	133,541
	FHR 4136 NG	11/15/2027	3137AWKN4	57,232
	FHLMC 15YR	1/1/2028	3128MDNR0	81,090
	FNMA 15YR	1/1/2028	3138EKJA4	65,178
	FNMA 15YR	1/1/2028	3138EKJA4	65,178
	FNMA 15YR	1/1/2028	3138EKJA4	108,629
	FNMA 10YR	1/1/2028	31418CTF1	408,906
	FNR 2012-145 DC	1/25/2028	3136AA2L8	87,480
	FNR 2012-145 DC	1/25/2028	3136AA2L8	87,480
	FHLMC 15YR	6/1/2028	31307DB62	212,091
	FHLMC 15YR	6/1/2028	31307DB62	109,593
	FNMA 15YR	12/1/2029	3140J5EA3	113,739
	FHLMC 15YR	1/1/2030	3128ME4VO	742,065

See independent auditors' report.



Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018
<b>First Savings Bank (continued)</b>				
	FHLMC 15YR	2/1/2030	3128MECV1	157,925
	FHLMC 15YR	2/1/2030	3128MECV1	143,568
	FHLMC 15YR	2/1/2030	3128MECV1	114,855
	FNMA 15YR	2/1/2030	3138ETU53	179,899
	FNMA 15YR	2/1/2030	3138ETU53	287,839
	FHLMC 15YR	8/1/2031	3128ME4MO	235,054
	FHLMC 15YR	8/1/2031	3128ME4MO	188,043
	FHLMC 15YR	8/1/2031	3132KFNN8	77,002
	FHLMC 15YR	1/1/2032	3138ER2Q2	235,704
	FHLMC 15YR	1/1/2032	3138ER2Q2	314,272
	GNR 2011-4MD	11/20/2038	38377TBL4	28,887
	GNR 2010-150 GJ	9/20/2039	38377NLJ1	61,238
	GNR 2010-150 GJ	9/20/2039	38377NLJ1	34,021
	FNR 2010-135 CH	4/25/2040	31398SN66	42,488
	FHR 3925 DE	7/15/2040	3137AFGA4	99,931
	FNR 3925 DE	7/15/2040	3137AFGA4	85,655
	FNR 2014-37 GJ	6/25/2042	3136AKGQ0	182,939
	FNR 2013-73 TC	9/25/2042	3136AFTR5	399,489
	FHR 4505 PA	5/15/2044	3137BKWM8	310,849
	FHR 4505 PA	5/15/2044	3137BKWM8	62,170
<i>Total First Savings Bank</i>				<u>6,865,915</u>

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

<b>Wells Fargo Bank</b>				
	FNMA FNMS 2.5%	5/1/2031	3140F3N87	2,075,326
<i>Total Wells Fargo Bank</i>				<u>2,075,326</u>

The location of the safekeeper of the above securities is BNY Mellon at 101 Barclay Street, 4th Floor East, New York, NY 10286

*Total Pledged Collateral* \$ 19,333,299

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, 2018

Schedule III

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Assets</b>				
Cash - Judicial Bond Fund	\$ 3,305	\$ -	\$ 684	\$ 2,621
Cash - Motor Vehicle Fund	-	5,930	-	5,930
Cash - Gila Water Fund	3,124	-	526	2,598
<i>Total assets</i>	<u>\$ 6,429</u>	<u>\$ 5,930</u>	<u>\$ 1,210</u>	<u>\$ 11,149</u>
<b>Liabilities</b>				
Due to other entities	\$ 6,429	\$ 5,930	\$ 1,210	\$ 11,149
<i>Total liabilities</i>	<u>\$ 6,429</u>	<u>\$ 5,930</u>	<u>\$ 1,210</u>	<u>\$ 11,149</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 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, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 1, 2018.

**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*.

We noted certain matters that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items 2018-001 and 2018-002.

## **City's Responses to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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 1, 2018

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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 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, 2018. 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, 2018.

## 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 1, 2018

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

<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	\$ 403,242	\$ -	\$ -
<i>Total U.S. Department of Housing and Urban Development</i>		<u>403,242</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership	16.607	19,138	-	-
<i>Total U.S. Department of Justice</i>		<u>19,138</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Operation Stone Garden	97.067	215,780	-	-
<i>Total U.S. Department of Homeland Security</i>		<u>215,780</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Highway Safety Improvement Program	20.205	479,173	-	-
ENDWI Saturation Patrol (DWI/ODWI)	20.608	2,411	-	-
<i>Total U.S. Department of Transportation</i>		<u>481,584</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>		<u>\$ 1,119,744</u>	<u>\$ -</u>	<u>\$ -</u>

\* Denotes Major Federal Financial Assistance Program

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.

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**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Findings and Questioned Costs  
June 30, 2018

**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
20.205	Highway Safety Improvement Program

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

**Section II – Financial Statement Findings**

*None noted*

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

**2018-001 Stale-dated Checks (Other Noncompliance)**

*Condition:* During our testwork over cash we noted the following:

- The City has 3 stale-dated checks totaling \$261.29 that were wrote in May of 2017.

*Criteria:* New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written.

*Effect:* The City is not in compliance with Section 6-10-57, NMSA 1978.

*Cause:* The City voids checks on a monthly basis to avoid stale dated checks, however did not void these checks timely.

*Auditors' Recommendation:* We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be adhered to. We also recommend that the City remit the stale-dated checks to the Property Division of the New Mexico Taxation and Revenue Department.

*Agency Response:* The city voids outstanding checks in the thirteenth month after written. The checks mentioned above were voided in the fourteenth month after written. The Accountant is responsible for voiding stale-dated checks. The Accountant will continue to void stale-dated checks with a due date of the fifth of each month. The Finance Director will process the outstanding check register after the fifth of each month to verify that all checks dated one year from written are voided. This ensures the city to process the voids prior to month end if by chances a stale-dated check is missed

**2018-002 Travel and Per Diem (Other Noncompliance)**

*Condition:* During testwork we noted the following condition:

- In 1 out of 10 samples tested, the City paid for a meal for 2 employees totaling \$88.80

*Criteria:* The City is required to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4, for all per diem and reimbursement rates.

*Effect:* The City has paid monies for travel and per diem using public funds that are not in compliance with State Per Diem and Mileage Act.

*Cause:* There was an oversight by the City during processing of the payment on the credit card to ensure actual expenses for meals were limited to \$30 per day per employee.

*Auditors' Recommendation:* We recommend the City follow the Per Diem and Mileage Act when paying per diem and travel expenses.

*Agency Response:* The one out of ten samples tested, was for two city employees at a business meeting while on travel. The city personnel at the meeting failed to document the type of meeting and all those in attendance. Without the documentation the appearance is that the individuals had a meal paid by the city out of compliance of the State Per Diem and Mileage Act. The Finance Director will review the current policy in place and update to include travel with use of city issued credit cards. When personnel are traveling for city business and using credit cards, the documentation will go to the Accountant for review and then to the Finance Director for approval prior to being submitted to Accounts Payable. Any overages will be billed to the employee to reimburse the city

**STATE OF NEW MEXICO**  
City of Deming  
Schedule of Findings and Questioned Costs  
June 30, 2018

**Section IV – Federal Award Findings**

*None noted*

**Section V – Prior Year Audit Findings**

*None noted*



**STATE OF NEW MEXICO**

City of Deming  
Other Disclosures  
June 30, 2018

**Exit Conference**

An exit conference was held on November 19, 2018. In attendance were the following:

**Representing the City of Deming:**

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

**Representing Cordova CPAs:**

Robert Gonzales, CPA, Principal  
Justin Casias, Manager

**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.