

**STATE OF NEW MEXICO**  
**VILLAGE OF GRADY**



ANNUAL FINANCIAL REPORT

JUNE 30, 2016

State of New Mexico  
**VILLAGE OF GRADY**  
ANNUAL FINANCIAL STATEMENTS  
June 30, 2016

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State of New Mexico  
**VILLAGE OF GRADY**  
OFFICEAL ROSTER  
June 30, 2016

**VILLAGE COUNCIL**

Wesley Shafer	Mayor
Kathy Edwards	Mayor Pro-Tem
Mae Szaloy	Member
Jena Rush	Member
Jimmy Schell	Member

**VILLAGE ADMINISTRATION**

Leona Powell	Clerk/Treasurer
Katy MacKechnie	Deputy Clerk
Misty Crowley	Deputy Clerk

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## **FINANCIAL SECTION**



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**CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016**

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**INDEPENDENT AUDITOR'S REPORT**

Timothy Keller, New Mexico State Auditor  
Wesley Shafer, Mayor  
Members of the Village Council  
Village of Grady  
Grady, New Mexico

**Report on Financial Statements**

I 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 of the general fund and major special revenue funds of the Village of Grady (the Village), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the Village's nonmajor enterprise funds, fiduciary funds and the budgetary comparisons for the enterprise funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents. I did not audit the Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Village. The schedules and statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Village, is based solely on the report of the other auditors.

**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.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 auditor's 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 Village's internal control. Accordingly, I express no such opinion.

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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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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, and the aggregate remaining fund information of the Village of Grady as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major enterprise fund and fiduciary fund of the Village as of June 30, 2016, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for all non-major funds 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 the *Management's Discussion and Analysis* on pages 15-21, the *Schedule of Proportionate Share of the Net Pension Liability of PERA Fund Division - General* on page 83, the *Schedule of Contributions, PERA Fund Division - General* on page 85, and the *Notes to Required Supplementary Information* on page 87 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. I have applied certain limited procedures to the required supplementary information in accordance with the 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, that basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

My audit was conducted for the purpose of forming opinions on the Village of Grady's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedules as required by Section 2.2.2 NMAC, as listed in the Supplementary Information section of the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedules 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 auditing standards generally accepted in the United States of America. In my opinion, the other schedules as required by Section 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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The Schedule of Vendor Information for Purchases Exceeding \$60,000 as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 22, 2016 on my consideration of the Village's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Village's internal control over financial reporting and compliance.

*Calhoon Accounting & Tax Services*

Calhoon Accounting & Tax Services  
Estancia, New Mexico  
September 22, 2016

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State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

As management of the Village of Grady (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements of the Village and additional information provided.

#### FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,869,041 (*net position*). Of this amount, \$269,816 (unrestricted) is obligated to citizens and creditors.
- The government's total net position decreased by \$19,488 during the fiscal year. The decrease is mainly due to capital assets depreciation.
- As of June 30, 2016, the Village's governmental funds reported combined fund balances of \$470,955. Of this total, \$1,924 is nonspendable inventory, \$8,689 is restricted for general fund state mandated cash balance \$173,905 is restricted for special revenue funds, and \$286,437 is unassigned for the general fund.

#### Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village's that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities the Village includes are general government, public safety, and culture and recreation. The business-type activities of the Village include Water and Solid Waste.

The government-wide financial statements can be found on pages 25-27 of this report.

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



State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

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

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

The Village maintains six individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, EMS Fund, Fire Protection Fund, Law Enforcement Fund, Senior Citizens Fund, and Gas Tax Fund, all of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for each individual fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28-47 of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the Village charges customers either outside customers or internal units or departments of the Village. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Village maintains two types of proprietary funds. The proprietary funds financial statements can be found on pages 49-53 of this report.

The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to fund its own programs. The Village acts as an agency for several entities. The fund financial statements for the agency funds can be found on page 55.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 57-72 of this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Village has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), Basic Financial Statements and Management's Discussion and Analysis (MD&A)-for State and Local Governments.

#### Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,869,041 at the close of the current fiscal year.

State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

The largest portion of the Village's net position represents the Village's investment of \$1,414,707 in capital assets (e.g., land improvements, building, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position						
For the Year Ended June 30, 2016 and June 30, 2015						
	June 30, 2016			June 30, 2015		
	Governmental	Business Type	Total	Governmental	Business Type	Total
<b>Assets</b>						
Current and other assets	\$ 472,796	\$ 36,674	\$ 509,470	\$ 401,904	\$ 48,981	\$ 450,885
Capital assets, net of accumulated depreciation	1,353,619	171,969	1,525,588	1,455,316	183,020	1,638,336
<b>Deferred outflows of resources</b>						
	6,304	-	6,304	4,303	-	4,303
<b>Total assets and deferred outflow of resources</b>	<b>\$ 1,832,719</b>	<b>\$ 208,643</b>	<b>\$ 2,041,362</b>	<b>\$ 1,861,523</b>	<b>\$ 232,001</b>	<b>\$ 2,093,524</b>
<b>Liabilities</b>						
Current liabilities	\$ 22,635	\$ 1,291	\$ 23,926	\$ 20,233	\$ 3,977	\$ 24,210
Noncurrent liabilities	146,980	-	146,980	152,839	12,660	165,499
<b>Total liabilities</b>	<b>169,615</b>	<b>1,291</b>	<b>170,906</b>	<b>173,072</b>	<b>16,637</b>	<b>189,709</b>
<b>Deferred inflows of resources</b>						
	1,415	-	1,415	15,286	-	15,286
<b>Net Position</b>						
Net investment in capital assets	1,242,738	171,969	1,414,707	1,324,202	166,383	1,490,585
Restricted	184,518	-	184,518	156,429	-	156,429
Unrestricted	234,433	35,383	269,816	192,534	48,981	241,515
<b>Total net position</b>	<b>1,661,689</b>	<b>207,352</b>	<b>1,869,041</b>	<b>1,673,165</b>	<b>215,364</b>	<b>1,888,529</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,832,719</b>	<b>\$ 208,643</b>	<b>\$ 2,041,362</b>	<b>\$ 1,861,523</b>	<b>\$ 232,001</b>	<b>\$ 2,093,524</b>

A portion of the Village's net position represents resources that are subject to restrictions. The restrictions are related to state mandated cash balances, inventory, and special revenue funds.

State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

The Villages net position decreased by \$19,488 during the current fiscal year. This total decrease is less than 1% and is further explained in the government and business-type activities discussion below.

Changes in Net Position								
			For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
			Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>Revenues:</b>								
Program revenue								
	Charges for services	\$ 11,018	\$ 49,302	\$ 60,320	\$ 10,256	\$ 50,090	\$ 60,346	
	Operating grants and contributions	211,033	-	211,033	217,706	17,949	235,655	
General Revenue								
	Property Tax	3,708	-	3,708	3,197	-	3,197	
	Gross Receipts	20,266	-	20,266	23,338	-	23,338	
	Other Taxes	-	-	-	5,197	-	5,197	
	Interest	-	-	-	38	-	38	
	State aid	90,000	-	90,000	90,000	-	90,000	
	<b>Total revenue</b>	<b>336,025</b>	<b>49,302</b>	<b>385,327</b>	<b>349,732</b>	<b>68,039</b>	<b>417,771</b>	
<b>Expenditures:</b>								
	General government	104,568	-	104,568	101,449	-	101,449	
	Public safety	65,719	-	65,719	62,026	-	62,026	
	Culture and recreation	72,427	-	72,427	88,623	-	88,623	
	Interest on Long-term debt	3,090	-	3,090	3,381	-	3,381	
	Depreciation - unallocated	101,697	-	101,697	98,693	-	98,693	
	Business-type activities	-	57,314	57,314	-	61,987	61,987	
	<b>Total expenditures</b>	<b>347,501</b>	<b>57,314</b>	<b>404,815</b>	<b>354,172</b>	<b>61,987</b>	<b>416,159</b>	
	(Decrease) Increase in Assets before transfers	(11,476)	(8,012)	(19,488)	(4,440)	6,052	1,612	
	Transfers	-	-	-	-	-	-	
	<b>(Decrease) Increase in Net Position</b>	<b>(11,476)</b>	<b>(8,012)</b>	<b>(19,488)</b>	<b>(4,440)</b>	<b>6,052</b>	<b>1,612</b>	
	Net Position, Beginning of year	1,673,165	215,364	1,888,529	1,730,269	209,312	1,939,581	
	Restatement for Net Pension Liability	-	-	-	(52,664)	-	(52,664)	
	<b>Ending Net Position</b>	<b>\$ 1,661,689</b>	<b>\$ 207,352</b>	<b>\$ 1,869,041</b>	<b>\$ 1,673,165</b>	<b>\$ 215,364</b>	<b>\$ 1,888,529</b>	

#### FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of Governmental funds reported by the Village include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balance of \$470,955 an increase of \$69,051 in comparison with the prior year. \$286,437 constitutes unreserved fund balance, which is available for spending at the government's discretion.

State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

Revenues for governmental activities overall totaled \$336,025 in the fiscal year ended June 30, 2016, which represents a decrease of \$13,707 from the fiscal year ended June 30, 2015. Expenditures for governmental activities, totaling \$347,501, decrease by \$6,671 from the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016, expenditures exceeded revenue by \$11,476.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$286,126, while total fund balance was \$295,126.

During the current fiscal year the Village's general fund decreased by \$31,025, which is due to expenditures exceeding revenues. Overall, the general fund's performance in the fiscal year ended June 30, 2016 is due to a decrease in tax revenue and miscellaneous earnings.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position for the Water fund and Solid Waste fund was \$28,521 and \$6,862, respectively. The change in net position for the proprietary funds was \$8,012 decrease from prior year. Factors concerning the finances of this fund have been addressed previously in the discussion of the Village's business-type activities.

**General Fund Budgetary Highlights**

The Village budgets reflect the same pattern as seen in the revenue and expenditures of the Village. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Village level, the Village utilizes goals and objectives defined by the Village Councilors, community input meetings, long-term plans and input from various staff groups to develop the Village Budget. The Village priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

**General Fund Expenditure Budget Performance**

<u>Final Budget</u>	Actual non-GAAP <u>Cash Basis</u>	Favorable (Unfavorable) <u>Variance</u>
\$106,400	\$103,832	\$2,568

There were no changes between the original budget and final budget for the general fund during the fiscal year.

**Capital Asset and Debt Administration**

Capital assets. The Village's capital assets for its governmental and business-type activities as of June 30, 2016 amount to \$1,525,588 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, vehicles and heavy equipment, equipment, plant and infrastructure. There was no change in the Village's capital assets (excluding accumulated depreciation) for the current fiscal year for governmental activities or for business-type activities.

State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

Capital Assets, Net of Depreciation			
June 30, 2016			
	Governmental Activities	Business Type Activities	Total
Land	\$ 11,200	\$ 3,100	\$ 14,300
Land improvements	23,232	7,388	30,620
Buildings and improvements	1,017,760	-	1,017,760
Vehicles/Heavy equipment	1,143,978	37,982	1,181,960
Equipment	4,159	7,438	11,597
Plant/Infrastructure	361,552	331,501	693,053
Total capital assets	2,561,881	387,409	2,949,290
Accumulated depreciation	(1,208,262)	(215,440)	(1,423,702)
Capital assets, net of accumulated depreciation	<u>\$ 1,353,619</u>	<u>\$ 171,969</u>	<u>\$ 1,525,588</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration: At the end of the current fiscal year, the Village had total debt obligations outstanding of \$110,881, of this \$20,794 is current portion of debt and \$55,058 is net pension liability.

Outstanding Debt			
As of June 30, 2016			
	Governmental Activities	Business Type Activities	Total
Loans and notes payables	\$ 110,881	\$ -	\$ 110,881
Net pension liability	55,058	-	55,058
Accrued compensated absences	1,835	-	1,835
Total long-term liabilities	<u>\$ 167,774</u>	<u>\$ -</u>	<u>\$ 167,774</u>

Long-term debt additions and retirements related to loans for governmental activities for the current year were \$-0- and \$20,233, respectively. Net pension liabilities were \$55,058, for governmental activities. Accrued compensated absences additions and retirements were \$2,070 and \$3,188, respectively, for governmental activities. Long-term debt additions and retirements related to notes and loans for business type activities for the current year were \$-0- and \$16,637, respectively.

State of New Mexico  
**VILLAGE OF GRADY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2016

See Note 8 in the accompanying Notes to the Financial Statements for further information regarding the Village's long-term debt.

Economic Factors and Next Year's Budgets and Rates: Inflationary trends in the region compare favorable to national indices. These factors were considered in preparing the Village's budget for the 2017 fiscal year. There are no currently known facts, decisions, or conditions that are expected to have significant effect or impact on the Village's financial position or results of operations.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Village of Grady, 219 W. Main Street, New Mexico 88120.

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## **BASIC FINANCIAL STATEMENTS**



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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash, cash equivalents and investments	\$ 462,945	\$ 31,458	\$ 494,403
Receivables, net	7,927	5,216	13,143
Inventory	1,924	-	1,924
<b>Total Current Assets</b>	<b>472,796</b>	<b>36,674</b>	<b>509,470</b>
<b>Noncurrent Assets</b>			
Capital assets	2,561,881	387,409	2,949,290
Less: accumulated depreciation	(1,208,262)	(215,440)	(1,423,702)
<b>Total Noncurrent Assets</b>	<b>1,353,619</b>	<b>171,969</b>	<b>1,525,588</b>
<b>Deferred Outflows of Resources</b>			
Total deferred outflows of resources	6,304	-	6,304
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,832,719</b>	<b>\$ 208,643</b>	<b>\$ 2,041,362</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 1,841	\$ 1,291	\$ 3,132
Current portion of loans payables	20,794	-	20,794
<b>Total Current Liabilities</b>	<b>22,635</b>	<b>1,291</b>	<b>23,926</b>
<b>Noncurrent Liabilities</b>			
NMFA loans payable	90,087	-	90,087
Compensated absences	1,835	-	1,835
Net pension liability	55,058	-	55,058
<b>Total Noncurrent Liabilities</b>	<b>146,980</b>	<b>-</b>	<b>146,980</b>
<b>Total liabilities</b>	<b>169,615</b>	<b>1,291</b>	<b>170,906</b>
<b>Deferred Inflows of Resources</b>			
Change in assumptions in net pension liability	21	-	21
Difference between expected and actual earnings	1,220	-	1,220
Net difference between projected and actual investments	174	-	174
<b>Total deferred inflows of resources</b>	<b>1,415</b>	<b>-</b>	<b>1,415</b>
<b>Net Position</b>			
Net investment in capital assets	1,242,738	171,969	1,414,707
Restricted for:			
State mandated cash balance	8,689	-	8,689
Inventory	1,924	-	1,924
Special revenue funds	173,905	-	173,905
Unrestricted for:			
General	234,433	35,383	269,816
<b>Total net position</b>	<b>1,661,689</b>	<b>207,352</b>	<b>1,869,041</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,832,719</b>	<b>\$ 208,643</b>	<b>\$ 2,041,362</b>

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

State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Charges for Service
Primary Government:		
Government activities:		
General government	\$ 104,568	\$ -
Highways and streets	-	-
Public safety	65,719	-
Health and welfare	-	-
Culture and recreation	72,427	11,018
Interest on long-term obligation	3,090	-
Depreciation - unallocated	101,697	-
Total governmental activities	\$ 347,501	\$ 11,018
Business-type Activities:		
Water and Sewer	\$ 42,097	\$ 30,886
Solid Waste	15,217	18,416
Total business-type activities	\$ 57,314	\$ 49,302
Total Primary Government	\$ 404,815	\$ 60,320

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

State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
		Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 22,556	\$ -	\$ (82,012)	\$ -	\$ (82,012)
5,433	-	5,433	-	5,433
104,793	-	39,074	-	39,074
-	-	-	-	-
78,251	-	16,842	-	16,842
-	-	(3,090)	-	(3,090)
-	-	(101,697)	-	(101,697)
\$ 211,033	\$ -	\$ (125,450)	\$ -	\$ (125,450)
\$ -	\$ -	\$ -	\$ (11,211)	\$ (11,211)
-	-	-	3,199	3,199
\$ -	\$ -	\$ -	\$ (8,012)	\$ (8,012)
\$ 211,033	\$ -	\$ (125,450)	\$ (8,012)	\$ (133,462)
General Revenues:				
Taxes:				
Property taxes, levied for general purpose		3,708	-	3,708
Gross receipts taxes, levied for general purposes		20,266	-	20,266
General - state aid, not restricted for special purpose		90,000	-	90,000
Total general revenues		113,974	-	113,974
Transfer in (out)		-	-	-
Change in net position		(11,476)	(8,012)	(19,488)
Net position - beginning		1,673,165	215,364	1,888,529
Net position - ending		\$ 1,661,689	\$ 207,352	\$ 1,869,041

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

State of New Mexico  
**VILLAGE OF GRADY**  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2016

	General Fund	EMS Fund	Fire Protection Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and investments	\$ 293,012	\$ 18	\$ 58,940
Accounts receivable	2,850	-	-
Inventory	-	-	-
Total assets	<u>\$ 295,862</u>	<u>\$ 18</u>	<u>\$ 58,940</u>
<b>Liabilities</b>			
Accounts payable	<u>\$ 736</u>	<u>\$ -</u>	<u>\$ 71</u>
Total liabilities	<u>736</u>	<u>-</u>	<u>71</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>			
Nonspendable	-	-	-
Restricted for:			
General fund - state mandated cash balance	8,689	-	-
Special revenue funds	-	18	58,869
Capital projects fund	-	-	-
Debt service fund	-	-	-
Assigned for:			
General fund	-	-	-
Special revenue fund	-	-	-
Unassigned for:			
General fund	<u>286,437</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>295,126</u>	<u>18</u>	<u>58,869</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 295,862</u>	<u>\$ 18</u>	<u>\$ 58,940</u>

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

State of New Mexico  
**VILLAGE OF GRADY**  
 BALANCE SHEET – GOVERNMENTAL FUNDS  
 June 30, 2016

Law Enforcement Fund	Senior Citizens Fund	Gas Tax Fund	Total Governmental Funds
\$ -	\$ 47,516	\$ 63,459	\$ 462,945
-	4,660	417	7,927
-	1,924	-	1,924
<u>\$ -</u>	<u>\$ 54,100</u>	<u>\$ 63,876</u>	<u>\$ 472,796</u>
\$ -	\$ 1,034	\$ -	\$ 1,841
-	1,034	-	1,841
-	-	-	-
-	-	-	-
-	1,924	-	1,924
-	-	-	8,689
-	51,142	63,876	173,905
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	286,437
<u>-</u>	<u>53,066</u>	<u>63,876</u>	<u>470,955</u>
<u>\$ -</u>	<u>\$ 54,100</u>	<u>\$ 63,876</u>	<u>\$ 472,796</u>

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

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State of New Mexico  
**VILLAGE OF GRADY**  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2016

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

Total Fund balances - Governmental Funds	\$ 470,955
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:	1,353,619
Long-term debt, including current maturities, and certain other liabilities are not recorded until due and therefore are not reported as liabilities in the governmental funds: Long-term and other liabilities at year-end consisted of:	
Notes payable	(110,881)
Accrued compensated absences - non current	(1,835)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds:	(55,058)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds:	4,889
 Total net position-governmental activities	 <u>\$ 1,661,689</u>

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



State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	General Fund	EMS Fund	Fire Protection Fund
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Taxes	\$ 23,974	\$ -	\$ -
Charges for services	-	-	-
Local sources	-	-	117
State sources	90,000	7,018	73,960
Federal sources	-	-	-
Miscellaneous earnings	21,619	239	3,423
Interest earnings	-	-	36
Total revenue	<u>135,593</u>	<u>7,257</u>	<u>77,536</u>
Expenditures:			
Current			
General government	104,568	-	-
Public safety	-	7,250	38,469
Culture and recreation	-	-	-
Noncurrent			
Debt service-principal	-	-	20,233
Debt service-Interest and fiscal charges	-	-	3,090
Capital outlay	-	-	-
Total expenditures	<u>104,568</u>	<u>7,250</u>	<u>61,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,025</u>	<u>7</u>	<u>15,744</u>
Other financing sources (uses):			
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	31,025	7	15,744
Fund balances - beginning of year	<u>264,101</u>	<u>11</u>	<u>43,125</u>
Fund balances - end of year	<u>\$ 295,126</u>	<u>\$ 18</u>	<u>\$ 58,869</u>

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

State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

Law Enforcement Fund	Senior Citizens Fund	Gas Tax Fund	Total Governmental Funds
\$ -	\$ -	\$ 5,433	\$ 29,407
-	11,018	-	11,018
-	-	-	117
20,000	61,164	-	252,142
-	16,164	-	16,164
-	923	-	26,204
-	-	-	36
<u>20,000</u>	<u>89,269</u>	<u>5,433</u>	<u>335,088</u>
-	-	-	104,568
20,000	-	-	65,719
-	72,427	-	72,427
-	-	-	20,233
-	-	-	3,090
-	-	-	-
<u>20,000</u>	<u>72,427</u>	<u>-</u>	<u>266,037</u>
-	16,842	5,433	69,051
-	-	-	-
-	-	-	-
-	16,842	5,433	69,051
-	36,224	58,443	401,904
<u>\$ -</u>	<u>\$ 53,066</u>	<u>\$ 63,876</u>	<u>\$ 470,955</u>

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

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State of New Mexico  
**VILLAGE OF GRADY**  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2016

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

Total net change in fund balances - governmental funds	\$ 69,051
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Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation expense	(101,697)
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned not or employee contributions is reported as pension expense.

Pension contribution	(181)
----------------------	-------

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 but are as follows:

Change in accrued compensated absences	1,118
Notes principal payments	20,233
	21,351

Change in net position of governmental activities	\$ (11,476)
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The accompanying notes are an integral part of these financial statements.

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) – GENERAL FUND  
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 14,115	\$ 14,115	\$ 11,545	\$ (2,570)
Intergovernmental - State	105,150	105,150	101,316	(3,834)
Miscellaneous	24,650	24,650	21,431	(3,219)
Total Revenues	<u>143,915</u>	<u>143,915</u>	<u>134,292</u>	<u>(9,623)</u>
<b>Expenditures:</b>				
Current:				
Executive-Legislative	2,550	2,550	1,683	867
Finance & Administration	103,850	103,850	102,149	1,701
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>106,400</u>	<u>106,400</u>	<u>103,832</u>	<u>2,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,515</u>	<u>37,515</u>	<u>30,460</u>	<u>(12,191)</u>
<b>Other financing sources (uses):</b>				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>37,515</u>	<u>37,515</u>	<u>30,460</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>262,552</u>	<u>-</u>
Cash balances - end of year	<u>\$ 37,515</u>	<u>\$ 37,515</u>	<u>\$ 293,012</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 30,460	
Adjustment to revenues for accruals and other deferrals			3,302	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(2,737)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 31,025</u>	

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) – EMS FUND  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 7,018	\$ 7,018	\$ 7,018	\$ -
Miscellaneous local sources	-	240	239	(1)
Total revenue	7,018	7,258	7,257	(1)
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	7,029	7,269	7,250	19
Non-current				
Capital outlay	-	-	-	-
Total expenditures	7,029	7,269	7,250	19
Excess (deficiency) of revenues over (under) expenditures	(11)	(11)	7	18
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(11)	(11)	7	-
Cash balances - beginning of year	-	-	11	
Cash balances - end of year	\$ (11)	\$ (11)	\$ 18	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 7	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 7	

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



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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) – FIRE PROTECTION FUND  
For the Year Ended June 30, 2016

	<u>Original</u> Budget	<u>Final</u> Budget	<u>Actual</u>	<u>Variance</u> Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 55,501	\$ 73,960	\$ 73,960	\$ -
Miscellaneous local sources	750	762	3,576	2,814
Total revenue	<u>56,251</u>	<u>74,722</u>	<u>77,536</u>	<u>2,814</u>
<b>Expenditures:</b>				
Public Works:				
Current:				
Operating expenses	69,905	88,376	38,398	49,978
Non-current				
Debt Service - Principal	23,123	23,123	20,233	2,890
Debt Service - Interest	-	-	3,090	
Total expenditures	<u>93,028</u>	<u>111,499</u>	<u>61,721</u>	<u>52,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,777)</u>	<u>(36,777)</u>	<u>15,815</u>	<u>55,682</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(36,777)</u>	<u>(36,777)</u>	<u>15,815</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>43,125</u>	
Cash balances - end of year	<u><u>\$(36,777)</u></u>	<u><u>\$(36,777)</u></u>	<u><u>\$58,940</u></u>	<u><u>\$ -</u></u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 15,815	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(71)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 15,744</u>	

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) – LAW ENFORCEMENT FUND  
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous local sources	-	-	-	-
Total revenue	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	20,000	20,000	20,000	-
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances - beginning of year			-	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) – SENIOR CITIZENS FUND  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$97,716	\$106,258	\$62,722	\$ (43,536)
Federal Funding	32,781	35,239	16,164	(19,075)
Miscellaneous local sources	10,014	10,014	11,941	1,927
Total revenue	<u>140,511</u>	<u>151,511</u>	<u>90,827</u>	<u>(60,684)</u>
<b>Expenditures:</b>				
Culture and recreation:				
Current:				
Operating expenses	148,156	159,156	71,714	87,442
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>148,156</u>	<u>159,156</u>	<u>71,714</u>	<u>87,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,645)</u>	<u>(7,645)</u>	<u>19,113</u>	<u>26,758</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(7,645)</u>	<u>(7,645)</u>	<u>19,113</u>	<u>-</u>
Cash balances - beginning of year			<u>28,403</u>	
Cash balances - end of year	<u>\$ (7,645)</u>	<u>\$ (7,645)</u>	<u>\$47,516</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$19,113	
Adjustment to revenues for accruals and other deferrals			(1,558)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(713)</u>	
Net change in fund balance (GAAP Basis)			<u>\$16,842</u>	

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) – GAS TAX FUND  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 5,004	\$ 5,004	\$ 5,016	\$ 12
Miscellaneous local sources	-	-	-	-
Total revenue	5,004	5,004	5,016	12
Expenditures:				
Public Safety:				
Current:				
Operating expenses	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	5,004	5,004	5,016	12
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	5,016	-
Cash balances - beginning of year	-	-	58,443	
Cash balances - end of year	\$ -	\$ -	\$ 63,459	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 5,016	
Adjustment to revenues for accruals and other deferrals			417	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 5,433	

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



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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2016

	Water Fund	Solid Waste Fund	Total
Assets			
Current assets, unrestricted:			
Cash, cash equivalents and investments	\$ 24,596	\$ 6,862	\$ 31,458
Accounts receivable, net of allowance for doubtful accounts	5,216	-	5,216
Total current assets	29,812	6,862	36,674
Non-current assets:			
Land	3,100	-	3,100
Land Improvements	7,388	-	7,388
Vehicles	37,982	-	37,982
Equipment	7,438	-	7,438
Infrastructure	331,501	-	331,501
Accumulated depreciation	(215,440)	-	(215,440)
Net non-current assets	171,969	-	171,969
Total assets	\$ 201,781	\$ 6,862	\$ 208,643
Liabilities and Net Position			
Liabilities:			
Current liabilities			
Accounts Payables	\$ 1,291	\$ -	\$ 1,291
Notes payable - current	-	-	-
Total current liabilities	1,291	-	1,291
Noncurrent liabilities			
Notes payable - noncurrent	-	-	-
Total liabilities	1,291	-	1,291
Net Position:			
Net investment in capital assets	171,969	-	171,969
Unrestricted, undesignated	28,521	6,862	35,383
Total net position	200,490	6,862	207,352
Total liabilities and net position	\$ 201,781	\$ 6,862	\$ 208,643

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2016

	Water Fund	Solid Waste Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Operating revenues:			
Sales and service	\$ 23,615	\$ 18,416	\$ 42,031
Local source	7,271	-	7,271
Total operating revenue	<u>30,886</u>	<u>18,416</u>	<u>49,302</u>
 Operating expenses:			
Personal services	7,263	-	7,263
Maintenance and operations	23,284	-	23,284
Major contractual services	-	14,325	14,325
Other operating expenses	-	892	892
Depreciation	11,051	-	11,051
Total operating expenses	<u>41,598</u>	<u>15,217</u>	<u>56,815</u>
 Operating income (loss)	<u>(10,712)</u>	<u>3,199</u>	<u>(7,513)</u>
 Non-operating income (expenses):			
Interest income (expense)	(499)	-	(499)
Total non-operating income (expenses)	<u>(499)</u>	<u>-</u>	<u>(499)</u>
 Income (loss) before contributions and transfers	<u>(11,211)</u>	<u>3,199</u>	<u>(8,012)</u>
 Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	-	-	-
 Change in net position	(11,211)	3,199	(8,012)
 Net position, beginning of year	211,701	3,663	215,364
 Net position, end of year	<u>\$ 200,490</u>	<u>\$ 6,862</u>	<u>\$ 207,352</u>

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2016

	Water Fund	Solid Waste Fund	Total Governmental Funds
Cash flows from operating activities			
Cash received from customers	\$ 23,600	\$ 18,416	\$ 42,016
Cash received from local sources	7,271	-	7,271
Cash received from state sources	-	-	-
Cash payments to employees and to suppliers for goods and services	(29,256)	(15,217)	(44,473)
Net cash flow from operating activities	<u>1,615</u>	<u>3,199</u>	<u>4,814</u>
Cash flows from capital and related financing activities			
Loan repayments	(16,638)	-	(16,638)
Capital outlay	-	-	-
Investment expense	(498)	-	(498)
Net cash flows from capital and related financing activities	<u>(17,136)</u>	<u>-</u>	<u>(17,136)</u>
Cash flows from investing activities			
Investment income	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(15,521)	3,199	(12,322)
Cash and cash equivalents, beginning of year	<u>40,117</u>	<u>3,663</u>	<u>43,780</u>
Cash and cash equivalents, end of year	<u>\$ 24,596</u>	<u>\$ 6,862</u>	<u>\$ 31,458</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Net operating income (loss)	\$ (10,712)	\$ 3,199	\$ (7,513)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	11,051	-	11,051
Receivables	(15)	-	(15)
Accounts payable	1,291	-	1,291
Accrued expenses	-	-	-
Net cash provided by operating activities	<u>\$ 1,615</u>	<u>\$ 3,199</u>	<u>\$ 4,814</u>

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2016

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>
<b>LIABILITIES</b>	
Due to other entities	<u>\$ -</u>
Total liabilities	<u><u>\$ -</u></u>

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



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State of New Mexico  
**VILLAGE OF GRADY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Grady (Village) was incorporated under provisions of Chapter 3, Article 2 NMSA 1978 as amended. The Village operates under mayor – council form of government and provides the following services as provided by law: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Village's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the Village, 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. 61. Although legally separate entities, blended component units are in substance part of the government's operations. Each discreetly 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 Village 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 Statement of Activities and Changes in Net Position) report information on all of the non-fiduciary activities of the Village. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

State of New Mexico  
**VILLAGE OF GRADY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, 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 proprietary 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 billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government 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. 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 the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

The Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets the Village holds for others in an agency capacity.

State of New Mexico  
**VILLAGE OF GRADY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

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.

The *Emergency Medical Services Fund* (Special Revenue Fund) is used to account for grant funds received by the Village from state sources for development of an EMS System. Funding is provided for under NMSA 1978, Section 24-10A-1 to 24-10A-10.

The *Fire Protection Fund* (Special Revenue Fund) is used to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The funding is authorized by NMSA 1978, Section 59A-53-1.

The *Law Enforcement Protection Fund* (Special Revenue Fund) accounts for the receipts of a State of New Mexico Law Enforcement grant and expenditures to provide law enforcement services to residents of the Village.

The *Senior Citizens Fund* (Special Revenue Fund) is used to account for donations and fees collected by the Village on behalf of its senior citizens and expended for them in accordance with their wishes, and to account for grant funds for the benefit of senior citizens. The funding is authorized by NMSA 1978 9-2-5 to 9-2-15.

The *Gas Tax Fund* (Special Revenue Fund) accounts for receipts of State of New Mexico gasoline taxes and expenditures to maintain the roads of the Village.

The Village reports its proprietary funds as major business-type funds.

The *Water Fund* is used to account for the provision of water services to the residents of Grady, New Mexico. All activities necessary to provide these services are accounted for in this fund.

The *Solid Waste Fund* is used to account for the revenue and expenditures for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

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

Program revenues included in the Statement of Activities reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) program-specific operating grants and contributions and 3) program-specific capital grants and contributions including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's various utilities. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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 Village's policy to use restricted resources first, then unrestricted resources as they are needed.

GASB 63 requires certain financial reporting of deferred outflows of resources, deferred inflows of resources, and net position and GASB 65 helps to identify items which were previously reported as assets and liabilities that are now reported as deferred resources.

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

**D. Assets, Liabilities and Net Position or Equity**

***Cash and Investments:*** The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with maturities of six months or less from the date of acquisition. State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Governments, and the State Treasurer's Investment Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

Investments for the Village are reported at fair value.

***Receivables and Payables:*** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables include taxes and amounts due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

***Inventory of Supplies:*** Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The cost of inventories are recorded as expenditures when purchased rather than when consumed.

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**VILLAGE OF GRADY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities column 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 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported capital assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost 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.

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

Land Improvements	10 years
Buildings and Building Improvements	30 years
Infrastructure	30 years
Heavy Equipment	20 years
Vehicles and Equipment	5 years

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

**Estimates:** The preparation of financial statements in conformity with the 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 affecting the Village's financial statements include management's estimate of the useful lives of capital assets.

**Deferred Outflow of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 Village has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

State of New Mexico  
**VILLAGE OF GRADY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

***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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 deferred inflow of resources. The Village has GASB 63 amended previous guidance on unearned revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net assets by the government that is applicable to a future reporting period.

***Compensated Absences:*** It is the policy of the Village to permit certain employees to accumulate a limited amount of earned but unused vacation which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirements. Sick pay does not vest and is recorded as an expenditure when it is paid.

***Long Term Obligations:*** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

***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 New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net Position:*** Net position represents the difference between assets and liabilities.

*Net investment in capital assets*, net of related debt consists of net position including restricted 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 these assets.

*Restricted Net Position*, for the Government-wide Statement of Net Position, net positions are reported as restricted when constraints placed on net positions use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*, this category reflects net position of the Village, not restricted for any project or other purpose. When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

State of New Mexico  
**VILLAGE OF GRADY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**Fund Balances:** In the fund financial statements, governmental fund balances are classified as follows:

*Nonspendable* fund balance indicates that portion of fund equity is not spendable such as inventory.

*Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources, providers, or through enabling legislation.

*Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

*Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

*Unassigned* fund balance is the residual amount that is not restricted or committed.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classification – committed, assigned and then unassigned fund balances.

The Village's policy is to apply restricted resources first, committed resources second, assigned resources third, and unassigned resources last when an expense is included for purposes for which all or any fund balance classification is available.

## **NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budget Requirements, Accounting and Reporting**

All budgets are adopted on the cash basis of accounting, which is inconsistent with Generally Accepted Accounting Principles (GAAP). Budgetary comparison statements present budget and actual amounts on the budgetary basis of accounting (cash basis).

The Village is required to follow the procedures established by the New Mexico Department of Finance and Administration when developing its budgets, as follows:

1. The Fiscal Officer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village offices to obtain public comment.
3. The budget is tentatively approved by the Village Council, and final approval is ultimately made by the Department of Finance and Administration, Local Government Division.
4. The Fiscal Officer requests authorization from the Village Council to transfer budget amounts within departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Commission and by the Local Government Division of the Department of Finance and Administration, State of New Mexico.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.



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VILLAGE OF GRADY  
NOTES TO THE FINANCIAL STATEMENTS  
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Amendments to the budget, including operating transfers, which increase or decrease a fund's total budgeted expenditures that must be approved by the Village Council and the Local Government Division of the Department of Finance and Administration, State of New Mexico. Amendments made to the original budget are included in the budgetary comparison schedules of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level. Outstanding encumbrances lapse at year end but may be re-budgeted in the next year's budget. The Village did not use encumbrance accounting during the year ended June 30, 2016.

**NOTE 3 DEPOSITS AND INVESTMENTS**

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

The schedule listed below is the cash on deposit at each financial institution.

Wells Fargo Bank	\$505,240
New Mexico Finance Authority	<u>43</u>
Total amount on deposit	\$505,283
Add: Deposit in transit	69
Less: Outstanding checks	<u>( 10,949)</u>
Total per financial statements	<u>\$494,403</u>

The following schedule details the public money held by Wells Fargo Bank and the pledged collateral provided for the Village.

	Wells
	<u>Fargo Bank</u>
Cash on deposits as of June 30	\$505,283
Less: FDIC coverage	<u>(250,000)</u>
Uninsured public funds	255,283
50% Collateral requirement	127,642
Pledged securities	<u>177,937</u>
Over collateralized	<u>\$ 50,295</u>

*Custodial Credit Risk* - The risk that in the event of failure of a depository institution, a Village will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Village does not have a policy for custodial credit risk. New Mexico State Statutes require collateral pledged for bank accounts in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 50% of the amount on deposit with the institution.

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**VILLAGE OF GRADY**  
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June 30, 2016

**Custodial Credit Risk-Deposits**

Account Balance	<u>\$505,283</u>
FDIC Insured	250,000
Collateral held by the pledging Bank, not in the Village's name	171,937
Uninsured and uncollateralized	<u>83,346</u>
Total Deposits	<u>\$505,283</u>

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, for at least one half of the amount on deposit with the institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>Bank of New York Mellon</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
31413CSNO FNMA	01/01/42	\$171,937

The amount held at the New Mexico Finance authority totaling \$43 is collateralized within the NMFA guidelines. This information is not available by individual agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

**NOTE 4 ACCOUNTS RECEIVABLES**

The receivables of the Village of Grady, by fund type, at June 30, 2016 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Gross receipts tax	\$ 2,683	\$ 417	\$ 54
Property taxes	122	-	-
Customer utility accounts	-	-	\$ 5,162
Other	<u>45</u>	<u>4,660</u>	<u>-</u>
Total	<u>\$ 2,850</u>	<u>\$ 5,077</u>	<u>\$ 5,216</u>

**NOTE 5 PROPERTY TAX REVENUE**

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

State of New Mexico  
**VILLAGE OF GRADY**  
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The following is a summary of changes in the **Governmental Activities** capital assets during the fiscal year:

<b>Governmental activities</b>	Balance <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2016</u>
Land	\$ 11,200	\$ -	\$ -	\$ 11,200
Capital assets being depreciated:				
Land improvements	23,232	-	-	23,232
Buildings and improvements	1,017,760	-	-	1,017,760
Vehicles and heavy equipment	1,143,978	-	-	1,143,978
Equipment	4,159	-	-	4,159
Plant and infrastructure	<u>361,552</u>	<u>-</u>	<u>-</u>	<u>361,552</u>
Total	2,550,681	-	-	2,550,681
Less accumulated depreciation for:				
Land improvements	(12,293)	-	(2,323)	(14,616)
Buildings and improvements	(504,578)	-	(29,904)	(534,482)
Vehicles and heavy equipment	(419,306)	-	(56,586)	(475,892)
Equipment	(1,664)	-	(832)	(2,496)
Plant and infrastructure	<u>(168,724)</u>	<u>-</u>	<u>(12,052)</u>	<u>(180,776)</u>
Total	<u>(1,106,565)</u>	<u>-</u>	<u>(101,697)</u>	<u>(1,208,262)</u>
Total capital assets being depreciated, net	<u>1,444,116</u>	<u>-</u>	<u>(101,697)</u>	<u>1,342,419</u>
Total Governmental activities, capital assets, net	<u>\$1,455,316</u>	<u>\$ -</u>	<u>(\$101,697)</u>	<u>\$1,353,619</u>

The following is a summary of changes in the **Business-type Activities** capital assets during the fiscal year:

<b>Business-type activities</b>	Balance <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2016</u>
Capital assets not being depreciated:				
Land	\$ 3,100	\$ -	\$ -	\$ 3,100
Land improvements	<u>7,388</u>	<u>-</u>	<u>-</u>	<u>7,388</u>
Total	10,488	-	-	10,433
Capital assets being depreciated:				
Vehicles and heavy equipment	37,982	-	-	37,982
Equipment	7,438	-	-	7,438
Plant and infrastructure	<u>331,501</u>	<u>-</u>	<u>-</u>	<u>331,501</u>
Total	<u>376,921</u>	<u>-</u>	<u>-</u>	<u>376,921</u>
Less accumulated depreciation for:				
Vehicles and heavy equipment	(37,982)	-	-	(37,982)
Equipment	(7,438)	-	-	(7,438)
Plant and infrastructure	<u>(158,969)</u>	<u>-</u>	<u>(11,051)</u>	<u>(170,020)</u>
Total	<u>(204,389)</u>	<u>-</u>	<u>(11,051)</u>	<u>(215,440)</u>
Total capital assets being depreciated, net	<u>172,532</u>	<u>-</u>	<u>122,713</u>	<u>161,481</u>
Total Business type activities, capital assets, net	<u>\$ 182,020</u>	<u>\$ -</u>	<u>(\$ 11,051)</u>	<u>\$ 171,969</u>

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**NOTE 7 ACCOUNTS PAYABLES**

Accounts payable as of June 30, 2016, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payable to suppliers	\$1,841	\$1,291

**NOTE 8 LONG-TERM DEBT**

**A. Changes in Long-term debt**

The following is a schedule of changes in long-term debt for the year ended June 30, 2016.

	<u>Balance</u> <u>06/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2016</u>	<u>Current</u> <u>Portion</u>
Governmental activities					
Notes payable	\$131,114	\$ -	\$ 20,233	\$110,881	\$20,794
Net pension liability	39,005	16,053	-	55,058	
Accrued compensated absences	<u>2,953</u>	<u>2,070</u>	<u>3,188</u>	<u>1,835</u>	<u>-</u>
Total governmental	<u>\$173,072</u>	<u>\$ 18,123</u>	<u>\$ 23,421</u>	<u>\$167,774</u>	<u>\$20,794</u>
	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
Business-type activities	<u>06/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/2016</u>	<u>Portion</u>
Notes payable	<u>\$16,637</u>	<u>\$ -</u>	<u>\$ 16,637</u>	<u>\$ -</u>	<u>\$ -</u>

Governmental activities

The Village entered into a loan agreement with the New Mexico Finance Authority (NMFA) evidencing a special limited obligation of the Village to pay a principal amount of \$208,177 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Village's fire department. The Village has pledged future State Fire Fund revenues to pay the loan. The yearly payments are to be redirected from the village's share of the State Fire Fund revenues to NMFA. The interest rate is .580% to 2.930%. The maturity date is May 1, 2021.

Annual debt service requirements for the NMFA notes are as follow:

<u>Year Ended</u> <u>06/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,794	\$2,728	\$ 23,522
2018	21,420	2,304	23,724
2019	22,111	1,830	23,941
2020	22,866	1,300	24,166
2021	<u>23,690</u>	<u>694</u>	<u>24,384</u>
Total	<u>\$110,881</u>	<u>\$8,856</u>	<u>\$119,737</u>

The following is a schedule of the changes in **Proprietary Funds** long-term debt for the year ended June 30, 2016:

	<u>Balance</u> <u>06/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2016</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 16,637		\$ 16,637	\$ -	\$ -

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 June 30, 2016

**B. Accrued Compensated Absences**

The Village allows for the accrual and payment of annual leave. Annual leave is awarded at a rate of two weeks per year for all employees who work five eight hour days in a regular workweek. Upon termination or retirement an employee will be paid for unused vacation at his or her final rate of pay.

Accrued compensated absences of the governmental funds have been recorded pursuant to GASB 16 and appear on the Statement of Net Position as follows:

<b>Governmental Funds:</b>	<u>Current Portion</u>	<u>Non-current Portion</u>	<u>Total</u>
General Fund	\$ -	\$1,835	\$1,835

**NOTE 9 RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions, employee injuries and illnesses, and natural disasters. The Village participates in the New Mexico Self-Insurers' Fund risk pool. The Village is also covered by insurance through the Insurance Services of New Mexico.

The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The Village contributed \$33,514 to New Mexico Self-Insurers' during the June 30, 2016 fiscal year.

The standard premium for the Workers' Compensation policy is subject to an audit that normally increases or decreases the premium according to the actual payroll expense upon which the premium had been estimated.

**NOTE 10 SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is September 22, 2016, which is the date on which the financial statements were dated.

**NOTE 11 JOINT POWERS AGREEMENTS**

The Village of Grady has a Joint Powers Agreement with the Curry County Sheriff's Office to provide Law Enforcement Coverage within the Village limits. The Village and the County are both responsible parties to the Joint Powers Agreement. The beginning date of the agreement was March 20, 2015 and remains in effect for one year. The estimated amount of the project is \$-0-. The Village of Grady has contributed \$20,000 from the Law Enforcement Protection fund to help costs of training and simple supplies of the Law Enforcement Officers of the County. The audit responsibility for these costs is the Village of Grady. The fiscal agent for this agreement is the Village of Grady.

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**NOTE 12 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN**

**Plan Description.** The Public Employees Retirement Fund (PERA 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 Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org>.

**Contributions.** The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier 1 and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at [http://saonm.org/media/audits/366 Public Employees Retirement Association 2015.pdf](http://saonm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf). The PERA coverage options that apply to the Village are: General Division. Statutorily required contributions to the pension plan from the Village were \$6,304 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members.

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June 30, 2016

The Village’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division General Division, at June 30, 2016, the Village reported a liability of \$55,058 for its proportionate share of the net pension liability. At June 30, 2015, the Village’s proportion was 0.0054 percent, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Village recognized PERA Fund Division – General Division pension expense of \$4,103. At June 30, 2016, the Village reported PERA Fund Division – General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,220
Changes of assumptions	-	21
Net difference between projected and actual earnings on Pension plan investments		174
Changes in proportion and differences between the Village Contributions and proportionate share of contributions	2,382	
Village contributions subsequent to the measurement date	3,922	
Total	\$ 6,304	\$ 1,415

The Village reported \$3,922 as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ (1,458)
2018	(1,458)
2019	(1,458)
2020	2,959

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment of rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, 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

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ALL FUNDS – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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 June 30, 2016

*Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate.* The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate:

PERA Fund Division General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Village's proportionate Share of the net pension Liability	\$93,741	\$55,058	\$22,895

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at: <http://www.nmpera.org/publications.html>.

*Payables to the pension plan.* At June 30, 2016, the Village had \$1,415 payables for contributions to the pension plan.

**NOTE 13 RETIREE HEALTH CARE ACT CONTRIBUTIONS**

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

**SUPPLEMENTARY INFORMATION**

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUE AND EXPENDITURES – BUDGET  
AND ACTUAL (NON-GAAP BASIS) – WATER FUND  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Charges for services	\$ 33,950	\$ 33,950	\$ 23,051	\$ (10,899)
Taxes	600	600	549	(51)
Miscellaneous	-	-	7,271	7,271
Total revenues	<u>34,550</u>	<u>34,550</u>	<u>30,871</u>	<u>(10,950)</u>
<b>Expenses</b>				
Current				
Operating expenses	33,326	54,463	29,256	25,207
Fuel and power utilities	-	-	-	-
Non-current				
Debt service	4,476	21,613	16,638	4,975
Interest and fiscal charges	-	-	498	(498)
Total expenses	<u>37,802</u>	<u>76,076</u>	<u>46,392</u>	<u>29,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,252)</u>	<u>(41,526)</u>	<u>(15,521)</u>	<u>(40,634)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(4,476)	(21,613)	-	(21,613)
Total other financing sources (uses)	<u>(4,476)</u>	<u>(21,613)</u>	<u>-</u>	<u>(21,613)</u>
Net change in fund balances	<u>(7,728)</u>	<u>(63,139)</u>	<u>(15,521)</u>	<u>(62,247)</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>40,117</u>	
Cash balances - end of year	<u>\$ (7,728)</u>	<u>\$ (63,139)</u>	<u>\$ 24,596</u>	<u>\$ (62,247)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (15,521)	
Adjustment to revenues for accruals and other deferrals			15	
Adjustment to expenditures for payables, prepaids and other accruals			<u>4,295</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (11,211)</u>	

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

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State of New Mexico  
**VILLAGE OF GRADY**  
STATEMENT OF REVENUE AND EXPENDITURES – BUDGET  
AND ACTUAL (NON-GAAP BASIS) – SOLID WASTE FUND  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Charges for services	\$ 18,900	\$ 18,900	\$ 18,416	\$ (484)
Taxes	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>18,900</u>	<u>18,900</u>	<u>18,416</u>	<u>(484)</u>
<b>Expenses</b>				
Current				
Operating expenses	22,563	22,563	15,217	7,346
Non-current				
Debt service	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenses	<u>22,563</u>	<u>22,563</u>	<u>15,217</u>	<u>7,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,663)</u>	<u>(3,663)</u>	<u>3,199</u>	<u>6,862</u>
Other financing sources (uses):				
Operating transfers in	13,000	13,000	-	13,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Net change in fund balances	<u>9,337</u>	<u>9,337</u>	<u>3,199</u>	<u>19,862</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>3,663</u>	
Cash balances - end of year	<u>\$ 9,337</u>	<u>\$ 9,337</u>	<u>\$ 6,862</u>	<u>\$ 19,862</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 3,199	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 3,199</u>	

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

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State of New Mexico  
**VILLAGE OF GRADY**  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES – AGENCY FUNDS  
 Year Ended June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS</b>				
Elida - Cash	\$ -	\$ 6,789	\$ 6,789	\$ -
Floyd - Cash	-	5,214	5,214	-
San Jon - Cash	-	19,396	19,396	-
Texico - Cash	-	7,339	7,339	-
	<u>-</u>	<u>7,339</u>	<u>7,339</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 7,339</u>	<u>\$ 7,339</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other entities	<u>\$ -</u>	<u>\$ 7,339</u>	<u>\$ 7,339</u>	<u>\$ -</u>
	<u>-</u>	<u>7,339</u>	<u>7,339</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ 7,339</u>	<u>\$ 7,339</u>	<u>\$ -</u>

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



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**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION LIABILITY**

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State of New Mexico  
**VILLAGE OF GRADY**  
June 30, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA  
FUND DIVISION – GENERAL  
Public Employees Retirement Association (PERA)  
Plan Last 10 Fiscal Years\*

	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.0050%	0.0050%
Proportionate share of the net pension liability (asset)	\$39,005	\$55,058
Covered-employee payroll	\$58,145	\$53,002
Proportionate share of the net pension liability (asset) as a Percentage of its covered-employee payroll	67.08%	103.88%
Plan fiduciary net position as a percentage of the total Pension liability	81.29%	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, the State of New Mexico will present information for those years for which information is available.

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

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State of New Mexico  
**VILLAGE OF GRADY**  
June 30, 2016

SCHEDULE OF CONTRIBUTIONS  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Division – General  
Last 10 Fiscal Years\*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$4,303	\$3,922
Contributions in relation to the contractually required	(\$4,303)	(\$3,922)
Contribution deficiency (excess)	-	-
Covered-employee payroll	\$58,145	\$53,002
Contributions as a percentage of covered-employee payroll	7.4%	7.4%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

The accompanying notes are an integral part of these financial statements

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State of New Mexico  
**VILLAGE OF GRADY**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at:

[http://www.nmpera.org/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.nmpera.org/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

**Changes of assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

[http://www.nmpera.org/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PER%20Valuation%20Report\\_FINAL.pdf](http://www.nmpera.org/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PER%20Valuation%20Report_FINAL.pdf).

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

The accompanying notes are an integral part of these financial statements



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**OTHER SUPPORTING SCHEDULES**

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State of New Mexico  
**VILLAGE OF GRADY**  
 SCHEDULE OF VENDOR INFORMATION  
 FOR PURCHASES EXCEEDING \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract ?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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## **COMPLIANCE SECTION**

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CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016

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**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 Auditor's Report**

Timothy Keller, State Auditor  
Wesley Shafer, Mayor  
Members of the Village Council  
VILLAGE OF GRADY  
Vaughn, New Mexico

I 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 of the general fund and major special revenue funds of the Village of Grady (Village) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining fiduciary funds and related budgetary comparisons of the enterprise funds, presented as supplemental information, and have issued my report thereon dated September 22, 2016.

**Internal Control over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Calhoon Accounting & Tax Services*

Calhoon Accounting & Tax Services  
Estancia, New Mexico  
September 22, 2016

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## **FINDINGS AND RESPONSES**

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State of New Mexico  
**VILLAGE OF GRADY**  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2016

**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

None

**CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None

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State of New Mexico  
**VILLAGE OF GRADY**  
OTHER DISCLOSURES  
For the Year Ended June 30, 2016

**AUDITOR PREPARED FINANCIAL STATEMENTS**

The accompanying financial statements are the responsibility of the Village of Grady and are based on the information from the Village's financial records. Assistance was provided by Calhoon Accounting & Tax Services to the Village in preparing the financial statements and the footnotes for inclusion in the annual audit.

**EXIT CONFERENCE**

An exit conference was held in the offices of the Village of Grady in Grady, New Mexico on September 22, 2016. The contents of the report were discussed with the following in attendance:

Village of Grady:

Wesley Shafer, Mayor  
Leona Powell, Clerk

Calhoon Accounting & Tax Services:

Renea L. Calhoon, CPA