

STATE OF NEW MEXICO
VILLAGE OF GRADY
ANNUAL FINANCIAL REPORT
JUNE 30, 2017

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
VILLAGE OF GRADY
OFFICIAL ROSTER
June 30, 2017

| <u>Name</u> | <u>Village Council</u> | <u>Title</u> |
|---------------|------------------------|----------------|
| Wesley Shafer | | Mayor |
| Kathy Edwards | | Mayor Pro-tem |
| Mae Szaloy | | Council Member |
| Jena Rush | | Council Member |
| Jimmy Schell | | Council Member |

Village Officials

| | | |
|-----------------|--|-----------------|
| Leona Powell | | Clerk/Treasurer |
| Katy Mackechnie | | Deputy Clerk |
| Misty Crowley | | Deputy Clerk |

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State of New Mexico
Village of Grady
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Village of Grady
Grady, New Mexico

Report on Financial Statements

We audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds and major capital project funds of the Village of Grady (the "Village") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Village of Grady's basic financial statements as listed in the table of contents. We did not audit the 2016 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 us, and our 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain 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 Village of Grady'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 of Grady's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the report of the other auditors, 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, 2017, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds, and major capital project funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* beginning on page 13, the *Schedule of Proportionate Share of Net Pension liability* on page 85, the *Schedule of Contributions* on page 87 and the *notes to required supplementary information* on page 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village of Grady's financial statements and the combining and individual fund financial statements and budgetary statements. The other schedules as required by 2.2.2 NMAC, as listed in the Supplementary Information section, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2017 on our consideration of the Village of Grady's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Grady's internal control over financial reporting and compliance.

Precision Accounting, LLC

Precision Accounting, LLC
Albuquerque, New Mexico
July 28, 2017

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STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017

As management of the Village of Grady, we offer readers of the Village of Grady financial statements this narrative overview and analysis of the financial activities of the Village of Grady for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of the Village of Grady and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets \$2,377,775 of the Village of Grady exceeded its liabilities of \$349,663 and its deferred inflows of resources of \$5,502 at the close of the most recent fiscal year by \$2,022,610 (*net position*). Of this amount, \$256,355 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$157,840 during the fiscal year. The majority of this increase is due to the increase of operating grants and contributions.
- As of June 30, 2017, the Village's governmental funds reported combined ending fund balances of \$699,896 of this total; \$12,068 is restricted for the General Fund, \$319,188 is restricted for Special Revenue Funds, and \$368,640 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 of Grady's basic financial statements. The Village of Grady'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 of Grady's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Village of Grady'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 of the Village of Grady 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 of Grady 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 of Village of Grady include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Village include Sewer, Water & Trash Utility billing and various licensing.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017

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 of Grady, 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 of Grady can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in 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 of Grady maintains eight individual governmental funds organized according to their type. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Protection Fund, Senior Citizen Fund and the IRB Park Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Grady adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Fire Protection Fund, Senior Citizen Fund and the IRB Park Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 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.

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 beginning on page 51 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 79-81 of this report.

STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the fifth year that 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 of Grady, assets exceeded liabilities by \$2,022,610 at the close of the current fiscal year.

The largest portion of the Village of Grady's net position represents the Village's investment of \$1,412,841 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Village of Grady uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Grady'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.

| Village of Grady's Net Position | | | | | | |
|--|---------------|---------------|--------------|---------------|---------------|--------------|
| | June 30, 2017 | | | June 30, 2016 | | |
| | Governmental | Business-Type | Total | Governmental | Business-Type | Total |
| Assets | | | | | | |
| Current and other assets | \$ 880,870 | \$ 55,717 | \$ 936,587 | \$ 472,796 | 36,674 | 509,470 |
| Capital assets, net of accumulated depreciation | 1,251,922 | 160,919 | 1,412,841 | 1,353,619 | 171,969 | 1,525,588 |
| Deferred Outflows of resources | 28,347 | - | 28,347 | 6,304 | - | 6,304 |
| Total Assets | 2,161,139 | 216,636 | 2,377,775 | 1,832,719 | 208,643 | 2,041,362 |
| Liabilities | | | | | | |
| Current Liabilities | 202,778 | 1,530 | 204,308 | 22,635 | 1,291 | 23,926 |
| Long-term liabilities outstanding | 145,355 | - | 145,355 | 146,980 | - | 146,980 |
| Total Liabilities | 348,133 | 1,530 | 349,663 | 169,615 | 1,291 | 170,906 |
| Deferred inflow of resources | 5,502 | - | 5,502 | 1,415 | - | 1,415 |
| Net position | | | | | | |
| Net investment in capital assets | 1,251,922 | 160,919 | 1,412,841 | 1,242,738 | 171,969 | 1,414,707 |
| Restricted | 353,414 | - | 353,414 | 184,518 | - | 184,518 |
| Unrestricted | 202,168 | 54,187 | 256,355 | 234,433 | 35,383 | 269,816 |
| Total Net Position | 1,807,504 | 215,106 | 2,022,610 | 1,661,689 | 207,352 | 1,869,041 |
| Total Liabilities, Deferred inflow of resources and Net Position | \$ 2,161,139 | \$ 216,636 | \$ 2,377,775 | \$ 1,832,719 | \$ 208,643 | \$ 2,041,362 |

STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017

A portion of the Village of Grady's net position represents resources that are subject to restrictions. The restrictions relate to general fund and special revenue funds.

At the end of the current fiscal year, the Village of Grady is able to report positive balances in all of the categories of net position, for the government as a whole as well as for the business-type activities.

The Village of Grady's total net position increased by \$157,840 during the current fiscal year. This increase is explained in the government and business-type activities discussion below, and is primarily a result of an increase in capital assets during the fiscal year.

Statement of Activities
For the Year Ended June 30, 2017

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------|
| Revenue | | | |
| Program revenue | | | |
| Charges for Service | 11,094 | 56,656 | 67,750 |
| Operating grants and contributions | 287,445 | - | 287,445 |
| Capital Grants and Contributions | - | - | - |
| General Revenue | | | |
| Property Taxes | 4,842 | - | 4,842 |
| Franchise Taxes | 452 | - | 452 |
| Gas Taxes | - | - | - |
| Gross Receipts Taxes | 14,331 | - | 14,331 |
| Public Service Taxes | - | - | - |
| Interest Income | - | - | - |
| Misc Revenues | 361,188 | - | 361,188 |
| Total Revenue | 380,813 | 56,656 | 437,469 |
| Expenses | | | |
| General Government | 361,554 | - | 361,554 |
| Public Safety | 94,108 | - | 94,108 |
| Public Works | - | - | - |
| Culture and recreation | 71,856 | - | 71,856 |
| Health and Welfare | - | - | - |
| Interest on Long-term debt | 1,748 | - | 1,748 |
| Business-Type Funds | - | 48,902 | 48,902 |
| Total Expenses | 529,266 | 48,902 | 578,168 |
| (Decrease) Increase in Assets before transfer | 150,086 | 7,754 | 157,840 |
| Transfers | - | - | - |
| (Decrease) Increase in Net position | 150,086 | 7,754 | 157,840 |
| Net position, Beginning of Year, restated | 1,657,418 | 207,352 | 1,864,770 |
| Ending Net position, beginning | 1,807,504 | 215,106 | 2,022,610 |

STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017

Governmental activities: Governmental activities increased the Village of Grady's net position by \$150,086.

Business-type activities: Business-type activities increased the Village's net position by \$7,754.

Statement of Activities
For the Year Ended June 30, 2017

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------|
| Revenue | | | |
| Program revenue | | | |
| Charges for Service | 11,018 | 49,302 | 60,320 |
| Operating grants and contributions | 211,033 | - | 211,033 |
| Capital Grants and Contributions | - | - | - |
| General Revenue | | | |
| Property Taxes | 3,708 | - | 3,708 |
| Franchise Taxes | - | - | - |
| Gas Taxes | - | - | - |
| Gross Receipts Taxes | 20,266 | - | 20,266 |
| Public Service Taxes | - | - | - |
| Interest Income | - | - | - |
| Misc Revenues | 90,000 | - | 90,000 |
| Total Revenue | 336,025 | 49,302 | 385,327 |
| Expenses | | | |
| General Government | 104,568 | - | 104,568 |
| Public Safety | 65,719 | - | 65,719 |
| Public Works | - | - | - |
| Culture and recreation | 72,427 | - | 72,427 |
| Health and Welfare | 26,195 | - | 26,195 |
| Interest on Long-term debt | 3,090 | - | 3,090 |
| Depreciation – unallocated | 101,697 | - | 101,697 |
| Business-Type Funds | - | 57,314 | 57,314 |
| Total Expenses | 347,501 | 57,314 | 404,815 |
| (Decrease) Increase in Assets before transfer | (11,476) | (8,012) | (19,488) |
| Transfers | - | - | - |
| (Decrease) Increase in Net position | (11,476) | (8,012) | (19,488) |
| Net position, Beginning of Year, restated | 1,673,165 | 215,364 | 1,888,529 |
| Ending Net position, beginning | 1,661,689 | 207,352 | 1,869,041 |

STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017
Unaudited

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

Governmental funds. The focus of Village of Grady's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Village of Grady'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. Types of Governmental funds reported by the Village include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, Village of Grady's governmental funds reported combined ending fund balances of \$699,896 an increase of \$228,941 in comparison with the prior year. Of this amount, \$368,640 constitutes *unreserved fund balance*, which is available for spending at the government's discretion, \$319,188 constitutes reserved fund balances for special revenue funds, and \$12,068 reserved for general fund.

Revenues for governmental activities overall totaled \$380,813 in the fiscal year ended June 30, 2017, which represents an increase of \$44,788 from the fiscal year ended June 30, 2016. Expenditures for governmental activities, totaling \$529,266 an increase by \$181,765 from the fiscal year ended June 30, 2016.

The General Fund is the chief operating fund of Village of Grady. At the end of the current fiscal year, the total fund balance of the general fund was \$380,708 of which \$368,640 was unassigned.

The fund balance of Village of Grady's general fund increased by \$256,418 during the current fiscal year due to an increase in operating grants and contributions.

Fire Protection Fund. The Fire Protection Fund has a fund balance \$44,651. The net decrease in fund balance for the current year was \$14,218. The decrease in fund balance is due primarily to a decrease in funding.

Senior Citizen Fund. The Senior Citizen Fund has a fund balance of \$59,824. The net increase in fund balance for the year was \$6,758 due to revenues exceeding expenditures.

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 net position for Joint Utility Fund was \$206,849 and \$8,257 for the Solid Waste Fund. The total increase in net position for the proprietary funds was \$7,754.

STATE OF NEW MEXICO
Village of Grady
Management's Discussion and Analysis
for the Year Ended June 30, 2017
Unaudited

General Fund Budgetary Highlights

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, Village of Grady 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. 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

| Final Budget | Actual non-GAAP Cash Basis | Favorable/(Unfavorable) Variance |
|--------------|-------------------------------|-------------------------------------|
| \$323,528 | \$257,282 | \$66,246 |

During the budgeting process, the Village budgeted all expenditures under the general government line item. Throughout the year when expenditures were anticipated in other functions, the Village prepared BAR's to increase the budget for the general fund for those functions.

The Capital Project Funds (non-major) are included in the original budget which is submitted to the Department of Finance and Administration (DFA). However, these funds are spent on a project-by-project basis so the budgets are constantly changing. The individual project budgets for these funds are created during the year through budget adjustment requests (BAR's).

Capital Asset and Debt Administration

Capital assets. Village of Grady's capital assets for its governmental and business-type activities as of June 30, 2017 amount to \$1,412,841 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery and equipment and vehicles. There was a no increase in the Village's governmental capital assets (excluding accumulated depreciation) for the current fiscal year. There was no increase (excluding accumulated depreciation) in business-type capital assets during the current fiscal year.

Capital Assets, June 30, 2017

| | Governmental Total Activities | Business-type Activities | |
|---|----------------------------------|-----------------------------|--------------|
| Plant and Infrastructure | \$ 361,552 | \$ 331,501 | \$ 693,053 |
| Land and Land Improvements | 34,432 | 10,488 | 44,920 |
| Buildings and improvements | 1,017,760 | - | 1,017,760 |
| Equipment and Vehicles | 1,148,137 | 45,420 | 1,193,557 |
| Total capital assets | 2,561,881 | 387,409 | 2,949,290 |
| Accumulated depreciation | 1,309,959 | 226,490 | 1,536,449 |
| Capital assets, net of accumulated depreciation | \$ 1,251,922 | \$ 160,919 | \$ 1,412,841 |

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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 7 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration- At the end of the current fiscal year, Village of Grady had total long-term obligations outstanding of \$90,087. Of this amount, \$90,087 is associated with long term note payables.

Village of Grady's Outstanding Debt
As of June 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|-----------------------------|-------------------------|--------------------------|-----------|
| Note Payable NMFA | \$ 90,087 | \$ - | \$ 90,087 |
| Compensated Absences | \$ - | \$ - | \$ - |
| Total long-term liabilities | \$ 90,087 | \$ - | \$ 90,087 |

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

Economic Factors and Next Year's Budgets and Rates

The Village of Grady strongly supports the renewable energy projects in our area. The energy projects are a great addition to our area for gross receipts tax along with the industrial revenue bonds.

Inflationary trends in the region compare favorable to national indices.

The above 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 Village of Grady'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 Administration, Village of Grady, 219 West Main Street, P.O. Box 74, Grady, New Mexico, 88120-0074.

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**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
VILLAGE OF GRADY
STATEMENT OF NET POSITION
June 30, 2017

Exhibit A-1

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 851,465 | \$ 46,055 | \$ 897,520 |
| Taxes receivable | 422 | - | 422 |
| Accounts receivable | 26,883 | 9,662 | 36,545 |
| Inventory | 2,100 | - | 2,100 |
| Total Current Assets | 880,870 | 55,717 | 936,587 |
| Noncurrent Assets | | | |
| Capital assets | 2,561,881 | 387,409 | 2,949,290 |
| Less: accumulated depreciation | (1,309,959) | (226,490) | (1,536,449) |
| Total Noncurrent Assets | 1,251,922 | 160,919 | 1,412,841 |
| Deferred outflows of resources | | | |
| Deferred Outflows in Net Pension Liability | 28,347 | - | 28,347 |
| Total Deferred outflows of resources | 28,347 | - | 28,347 |
| Total Assets | \$ 2,161,139 | \$ 216,636 | \$ 2,377,775 |
| Liabilities | | | |
| Current Liabilities | | | |
| Due to Pooled Cash | \$ - | \$ - | \$ - |
| Accounts payable | 2,474 | 1,217 | 3,691 |
| Accrued salaries and benefits | 384 | - | 384 |
| Unearned revenue | 178,500 | 313 | 178,813 |
| Current portion of loans/bonds payable | 21,420 | - | 21,420 |
| Total Current Liabilities | 202,778 | 1,530 | 204,308 |
| Noncurrent Liabilities | | | |
| Accrued Compensated Absences | - | - | - |
| Notes payable | 68,667 | - | 68,667 |
| Net Pension Liability | 76,688 | - | 76,688 |
| Total Noncurrent Liabilities | 145,355 | - | 145,355 |
| Total Liabilities | 348,133 | 1,530 | 349,663 |
| Deferred inflows of resources | | | |
| Change in Assumptions in Net Pension Liability | 21 | - | 21 |
| Investment Experience in Net Pension Liability | 4,261 | - | 4,261 |
| Actuarial Experience in Net Pension Liability | 1,220 | - | 1,220 |
| Unavailable revenue-property taxes | - | - | - |
| Total Deferred inflows of resources | 5,502 | - | 5,502 |
| Net Position | | | |
| Net Investment in Capital Assets | 1,251,922 | 160,919 | 1,412,841 |
| Restricted for: | | | |
| General Fund Restricted Cash | 12,068 | - | 12,068 |
| Special revenue funds | 341,346 | - | 341,346 |
| Unrestricted | 202,168 | 54,187 | 256,355 |
| Total Net Position | 1,807,504 | 215,106 | 2,022,610 |
| Total Liabilities, Deferred inflows of resources and Net Position | \$ 2,161,139 | \$ 216,636 | \$ 2,377,775 |

STATE OF NEW MEXICO
VILLAGE OF GRADY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2017

Exhibit A-2

| | Program Revenues | | |
|---------------------------------------|-------------------------|---------------------------------------|-------------------|
| Expenses | Charges for Services | Operating Grants and Contributions | |
| Primary Government | | | |
| General government | \$ 365,825 | \$ 440 | \$ 117,498 |
| Public safety | 94,108 | - | 101,307 |
| Public works | - | - | 5,015 |
| Culture and recreation | 71,856 | 10,654 | 63,625 |
| Health and welfare | - | - | - |
| Interest on long-term debt | 1,748 | - | - |
| | <u>533,537</u> | <u>11,094</u> | <u>287,445</u> |
| <i>Total governmental activities</i> | | | |
| Business-type Activities: | | | |
| Joint Utilities | 48,902 | 56,656 | - |
| | <u>48,902</u> | <u>56,656</u> | <u>-</u> |
| <i>Total business type activities</i> | | | |
| | <u>48,902</u> | <u>56,656</u> | <u>-</u> |
| <i>Total</i> | <u>\$ 582,439</u> | <u>\$ 67,750</u> | <u>\$ 287,445</u> |

General Revenues:

Taxes

Property taxes, levied for general purposes

Franchise taxes

Gas taxes

Gross receipts taxes

Public service taxes

Interest income

Miscellaneous income

Transfers

Total General Revenues and Transfers

Changes in net position

Net position, beginning

Net position, ending

STATE OF NEW MEXICO
VILLAGE OF GRADY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2017

Exhibit A-2

| <u>Program Revenues</u> | <u>Net Program (Expense) Revenue and Changes in Net Position</u> | | |
|---|--|---------------------------------|---------------------|
| | <u>Primary Government</u> | | |
| <u>Capital Grants and Contributions</u> | <u>Government Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
| \$ - | \$ (247,887) | \$ - | \$ (247,887) |
| - | 7,199 | - | 7,199 |
| - | 5,015 | - | 5,015 |
| - | 2,423 | - | 2,423 |
| - | - | - | - |
| - | (1,748) | - | (1,748) |
| - | (234,998) | - | (234,998) |
| - | - | 7,754 | 7,754 |
| - | - | 7,754 | 7,754 |
| - | - | 7,754 | 7,754 |
| <u>\$ -</u> | <u>(234,998)</u> | <u>7,754</u> | <u>(227,244)</u> |
| | 4,842 | - | 4,842 |
| | 452 | - | 452 |
| | - | - | - |
| | 14,331 | - | 14,331 |
| | - | - | - |
| | - | - | - |
| | 361,188 | - | 361,188 |
| | - | - | - |
| | 380,813 | - | 380,813 |
| | 145,815 | 7,754 | 153,569 |
| | 1,661,689 | 207,352 | 1,869,041 |
| <u>\$ -</u> | <u>1,807,504</u> | <u>\$ 215,106</u> | <u>\$ 2,022,610</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

| | General Fund | Fire Protection Fund | Senior Citizens Fund | IRB Park Fund | Other Governmental Funds | Total |
|--|-------------------|-------------------------|-------------------------|-------------------|--------------------------------|-------------------|
| <i>Assets</i> | | | | | | |
| Cash and cash equivalents | \$ 547,266 | \$ 44,657 | \$ 42,783 | \$ 148,289 | \$ 68,470 | \$ 851,465 |
| Other receivables | 11,942 | - | 14,941 | - | 422 | 27,305 |
| Inventory | - | - | 2,100 | - | - | 2,100 |
| <i>Total assets</i> | <u>\$ 559,208</u> | <u>\$ 44,657</u> | <u>\$ 59,824</u> | <u>\$ 148,289</u> | <u>\$ 68,892</u> | <u>\$ 880,870</u> |
| <i>Liabilities and fund balances</i> | | | | | | |
| <i>Liabilities</i> | | | | | | |
| Accounts payable | \$ - | \$ 6 | \$ - | \$ 2,468 | \$ - | \$ 2,474 |
| Unearned Revenue | 178,500 | - | - | - | - | 178,500 |
| <i>Total liabilities</i> | <u>178,500</u> | <u>6</u> | <u>-</u> | <u>2,468</u> | <u>-</u> | <u>180,974</u> |
| <i>Deferred inflows of resources</i> | | | | | | |
| Unavailable revenue-property taxes | - | - | - | - | - | - |
| <i>Total deferred inflows of resources</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund Balances</i> | | | | | | |
| Fund Balance | | | | | | |
| Restricted for: | | | | | | |
| General Fund | 12,068 | - | - | - | - | 12,068 |
| Special Revenue Funds | - | 44,651 | 59,824 | 145,821 | 68,892 | 319,188 |
| Capital Projects Funds | - | - | - | - | - | - |
| Debt Service Funds | - | - | - | - | - | - |
| Committed for: | | | | | | |
| General Fund | - | - | - | - | - | - |
| Special Revenue Funds | - | - | - | - | - | - |
| Capital Projects Funds | - | - | - | - | - | - |
| Assigned for: | | | | | | |
| General Fund | - | - | - | - | - | - |
| Special Revenue Funds | - | - | - | - | - | - |
| Capital Projects Funds | - | - | - | - | - | - |
| Unassigned for: | | | | | | |
| General Fund | 368,640 | - | - | - | - | 368,640 |
| <i>Total fund balances</i> | <u>380,708</u> | <u>44,651</u> | <u>59,824</u> | <u>145,821</u> | <u>68,892</u> | <u>699,896</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 559,208</u> | <u>\$ 44,657</u> | <u>\$ 59,824</u> | <u>\$ 148,289</u> | <u>\$ 68,892</u> | <u>\$ 880,870</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

Amounts reported for governmental activities in the statements of net position are different because:

| | |
|---|---------------------|
| Fund balances - total governmental funds | \$ 699,896 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 1,251,922 |
| Long-term liabilities, including notes payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds | <u>(144,314)</u> |
| Net position of governmental activities | <u>\$ 1,807,504</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ending June 30, 2017

| | General Fund | Fire Protection Fund | Senior Citizens Fund | IRB Park Fund | Other Governmental Funds | Total |
|--|-------------------|-------------------------|-------------------------|-------------------|--------------------------------|-------------------|
| <i>Revenues:</i> | | | | | | |
| Taxes | | | | | | |
| Gross receipts taxes | \$ 14,331 | \$ - | \$ - | \$ - | \$ - | \$ 14,331 |
| Property taxes | 4,842 | - | - | - | - | 4,842 |
| Lodgers' tax | - | - | - | - | - | - |
| Gasoline tax | - | - | - | - | - | - |
| Franchise tax | 125 | 285 | - | - | - | 410 |
| State Grant Income | 440 | 74,303 | 62,125 | - | 32,019 | 168,887 |
| Charges for Services | 117,498 | - | 10,654 | - | - | 128,152 |
| Licenses and Fees | - | - | 42 | - | - | 42 |
| Investment Income (Loss) | - | - | - | - | - | - |
| Miscellaneous | 210,635 | 439 | 1,614 | 150,000 | - | 362,688 |
| | <u>347,871</u> | <u>75,027</u> | <u>74,435</u> | <u>150,000</u> | <u>32,019</u> | <u>679,352</u> |
| <i>Expenditures:</i> | | | | | | |
| Current: | | | | | | |
| General Government | 262,289 | - | - | - | - | 262,289 |
| Public Safety | - | 67,087 | - | - | 27,021 | 94,108 |
| Public Works | - | - | - | - | - | - |
| Culture and Recreation | - | - | 67,677 | 4,179 | - | 71,856 |
| Health and Welfare | - | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - |
| Debt Service: | | | | | | |
| Principal | - | 20,794 | - | - | - | 20,794 |
| Interest | - | 1,364 | - | - | - | 1,364 |
| | <u>262,289</u> | <u>89,245</u> | <u>67,677</u> | <u>4,179</u> | <u>27,021</u> | <u>450,411</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>85,582</u> | <u>(14,218)</u> | <u>6,758</u> | <u>145,821</u> | <u>4,998</u> | <u>228,941</u> |
| <i>Other financing sources (uses)</i> | | | | | | |
| Transfers (Out) | - | - | - | - | - | - |
| Transfers In | - | - | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balance</i> | 85,582 | (14,218) | 6,758 | 145,821 | 4,998 | 228,941 |
| <i>Fund balance - beginning of year</i> | <u>295,126</u> | <u>58,869</u> | <u>53,066</u> | <u>-</u> | <u>63,894</u> | <u>470,955</u> |
| <i>Fund balance - end of year</i> | <u>\$ 380,708</u> | <u>\$ 44,651</u> | <u>\$ 59,824</u> | <u>\$ 145,821</u> | <u>\$ 68,892</u> | <u>\$ 699,896</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2017

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

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 228,941 |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | |
| Capital expenditures | - |
| Depreciation expense | (101,697) |
| 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. | |
| Change in Deferred inflows/outflows of Net Pension Liability | (3,674) |
| Increase in accrued interest | (384) |
| Principal payments on notes payable | 20,794 |
| Decrease in accrued compensated absences | 1,835 |
| | <hr/> |
| Change in net position of governmental activities | <u>\$ 145,815</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-----------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ 4,358 | \$ 4,358 | \$ 4,551 | \$ 193 |
| State Grant Income | 100 | 100 | 440 | 340 |
| Charges For Services | 113,200 | 113,200 | 117,498 | 4,298 |
| Licenses and Fees | - | - | - | - |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | - | - | - | - |
| Miscellaneous | - | - | 389,090 | 389,090 |
| <i>Total revenues</i> | 117,658 | 117,658 | 511,579 | 393,921 |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | 145,028 | 323,528 | 261,553 | 61,975 |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Culture and Recreation | - | - | - | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | 145,028 | 323,528 | 261,553 | 61,975 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (27,370) | (205,870) | 250,026 | 455,896 |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 27,370 | 205,870 | - | (205,870) |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 27,370 | 205,870 | - | (205,870) |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | 250,026 | 250,026 |
| <i>Cash Balance - Beginning of Year</i> | - | - | 292,969 | 292,969 |
| <i>Cash Balance - End of Year</i> | \$ - | \$ - | \$ 542,995 | \$ 542,995 |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | 13,320 | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | (177,764) | |
| <i>Net Change in Fund Balance (GAAP basis)</i> | | | \$ 85,582 | |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-----------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ 285 | \$ 285 |
| State Grant Income | 58,584 | 75,667 | 52,145 | (23,522) |
| Charges For Services | - | - | - | - |
| Licenses and Fees | - | - | - | - |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | - | - | - | - |
| Miscellaneous | 750 | 750 | 439 | (311) |
| <i>Total revenues</i> | <u>59,334</u> | <u>76,417</u> | <u>52,869</u> | <u>(23,548)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | 107,589 | 124,672 | 67,152 | 57,520 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | - | - | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>107,589</u> | <u>124,672</u> | <u>67,152</u> | <u>57,520</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(48,255)</u> | <u>(48,255)</u> | <u>(14,283)</u> | <u>33,972</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 48,255 | 48,255 | - | (48,255) |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>48,255</u> | <u>48,255</u> | <u>-</u> | <u>(48,255)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | (14,283) | (14,283) |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>58,940</u> | <u>58,940</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 44,657</u> | <u>\$ 44,657</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | - | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | <u>65</u> | |
| <i>Net Change in Fund Balance (GAAP basis)</i> | | | <u>\$ (14,218)</u> | |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
SENIOR CITIZENS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|----------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| State Grant Income | 44,444 | 52,417 | 51,813 | (604) |
| Charges For Services | 28,611 | 29,484 | 10,654 | (18,830) |
| Licenses and Fees | - | - | 42 | 42 |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | - | - | - | - |
| Miscellaneous | 5,304 | 5,304 | 1,614 | (3,690) |
| <i>Total revenues</i> | <u>78,359</u> | <u>87,205</u> | <u>64,123</u> | <u>(23,082)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Culture and Recreation | 85,332 | 94,563 | 68,856 | 25,707 |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>85,332</u> | <u>94,563</u> | <u>68,856</u> | <u>25,707</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(6,973)</u> | <u>(7,358)</u> | <u>(4,733)</u> | <u>2,625</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 6,973 | 7,358 | - | (7,358) |
| Transfers (In) Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>6,973</u> | <u>7,358</u> | <u>-</u> | <u>(7,358)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | (4,733) | (4,733) |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>47,516</u> | <u>47,516</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>42,783</u> | <u>\$ 42,783</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | 10,457 | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | <u>1,034</u> | |
| <i>Net Change in Fund Balance (GAAP basis)</i> | | | <u>\$ 6,758</u> | |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
IRB PARK SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-----------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| State Grant Income | - | - | - | - |
| Charges For Services | - | - | - | - |
| Licenses and Fees | - | - | - | - |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | - | - | - | - |
| Miscellaneous | - | 150,000 | 150,000 | - |
| <i>Total revenues</i> | - | 150,000 | 150,000 | - |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Culture and Recreation | 150,000 | 1,711 | 1,711 | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | 150,000 | 1,711 | 1,711 | - |
| <i>Excess (deficiency) of revenues over expenditures</i> | (150,000) | 148,289 | 148,289 | - |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 150,000 | (148,289) | - | 148,289 |
| Transfers (In) Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 150,000 | (148,289) | - | 148,289 |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | 148,289 | 148,289 |
| <i>Cash Balance - Beginning of Year</i> | - | - | - | - |
| <i>Cash Balance - End of Year</i> | \$ - | \$ - | \$ 148,289 | \$ 148,289 |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | - | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | (2,468) | |
| <i>Net Change in Fund Balance (GAAP basis)</i> | | | \$ 145,821 | |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2017

| | <u>Joint Utility Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> |
|---------------------------------------|---------------------------|-------------------------|--------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 38,027 | 8,028 | \$ 46,055 |
| Accounts receivable, net of allowance | 8,216 | 1,446 | 9,662 |
| Total Current Assets | 46,243 | 9,474 | 55,717 |
| Noncurrent Assets | | | |
| Capital assets | 387,409 | - | 387,409 |
| Less: accumulated depreciation | (226,490) | - | (226,490) |
| Total Noncurrent Assets | 160,919 | - | 160,919 |
| Total Assets | \$ 207,162 | \$ 9,474 | \$ 216,636 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | \$ - | \$ 1,217 | \$ 1,217 |
| Accrued salaries and benefits | - | - | - |
| Unearned Revenue | 313 | - | 313 |
| Total Current Liabilities | 313 | 1,217 | 1,530 |
| Noncurrent Liabilities | | | |
| Notes Payable | - | - | - |
| Accrued Compensated Absences | - | - | - |
| Total Noncurrent Liabilities | - | - | - |
| Total Liabilities | 313 | 1,217 | 1,530 |
| Net Position | | | |
| Net Investment in Capital Assets | 160,919 | - | 160,919 |
| Unrestricted | 45,930 | 8,257 | 54,187 |
| Total Net Position | 206,849 | 8,257 | 215,106 |
| Total Net Position and Liabilities | \$ 207,162 | \$ 9,474 | \$ 216,636 |

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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, 2017

| | <u>Joint Utility Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> |
|--|---------------------------|-------------------------|-------------------|
| <i>Operating revenues:</i> | | | |
| Charges for services | \$ 34,733 | \$ 20,363 | \$ 55,096 |
| <i>Total operating revenues</i> | <u>34,733</u> | <u>20,363</u> | <u>55,096</u> |
| <i>Operating expenses:</i> | | | |
| Operating Expenses | 4,814 | - | 4,814 |
| Gross Receipts tax | 1,247 | 909 | 2,156 |
| Travel | 1,110 | - | 1,110 |
| Depreciation | 11,050 | - | 11,050 |
| Contract Services | 3,582 | 18,059 | 21,641 |
| Salaries | 4,611 | - | 4,611 |
| Supplies | 1,960 | - | 1,960 |
| <i>Total operating expenses</i> | <u>28,374</u> | <u>18,968</u> | <u>47,342</u> |
| <i>Operating income (loss)</i> | <u>6,359</u> | <u>1,395</u> | <u>7,754</u> |
| <i>Non-operating revenues (expenses):</i> | | | |
| Interest Income | - | - | - |
| <i>Total non-operating revenues (expenses)</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Income (loss) before transfers</i> | 6,359 | 1,395 | 7,754 |
| Transfers | - | - | - |
| <i>Change in net position</i> | 6,359 | 1,395 | 7,754 |
| <i>Net position, beginning of year</i> | <u>200,989</u> | <u>6,862</u> | <u>207,851</u> |
| <i>Net Position, end of year</i> | <u>\$ 207,348</u> | <u>\$ 8,257</u> | <u>\$ 215,605</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Year Ended June 30, 2017

| | <u>Joint Utility Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> |
|--|---------------------------|-------------------------|------------------|
| <i>Cash flows from operating activities:</i> | | | |
| Cash received from user charges | \$ 34,733 | \$ 20,363 | \$ 55,096 |
| Cash payments to employees for services | (4,611) | - | (4,611) |
| Cash payments to suppliers for goods and services | (16,691) | (19,197) | (35,888) |
| <i>Net cash provided by operating activities</i> | <u>13,431</u> | <u>1,166</u> | <u>14,597</u> |
| <i>Cash flows from capital and related financing activities:</i> | | | |
| Acquisition of capital assets | - | - | - |
| <i>Net cash used by financing activities:</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Cash flows from capital and related investing activities:</i> | | | |
| Interest earned | - | - | - |
| <i>Net cash used by investing activities:</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net decrease in cash and cash equivalents</i> | 13,431 | 1,166 | 14,597 |
| <i>Cash and cash equivalents - beginning of year</i> | <u>24,596</u> | <u>6,862</u> | <u>31,458</u> |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 38,027</u> | <u>\$ 8,028</u> | <u>\$ 46,055</u> |
| <i>Reconciliation of operating income (loss) to net cash provided (used)</i> | | | |
| <i>by operating activities</i> | | | |
| Operating income (loss) | \$ 6,359 | \$ 1,395 | \$ 7,754 |
| Adjustments to reconcile operating (loss) to net cash (used) | | | |
| by operating activities | | | |
| Depreciation | 11,050 | - | 11,050 |
| Changes in assets and liabilities | | | |
| Receivables | (3,000) | (1,446) | (4,446) |
| Inventory | - | - | - |
| Accrued expenses | - | - | - |
| Accounts payable | (978) | 1,217 | 239 |
| Loans payable | - | - | - |
| Accrued compensated absences | - | - | - |
| <i>Net cash (used) by operating activities</i> | <u>\$ 13,431</u> | <u>\$ 1,166</u> | <u>\$ 14,597</u> |

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STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

The Village of Grady (“Village”) was incorporated in 1976, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer services, refuse collection, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

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

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

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village’s financial statements. The financial statements and notes are the representation of the Village’s management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. 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 statements No. 61. Blended component units are in substance, although legally separate entities, are 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.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1.

B. Government-wide and fund financial statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1.

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

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. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund, Municipal Streets Fund, and Capital Project Funds. No other funds were required to be presented as major at the discretion of management.

General Fund – the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Fire Protection Fund - to account for the financial resources from a state grant and charges for services rendered. Expenditures include all costs associated with the fire protection fund. Authority by State Statute Chapter 178, Laws of 1978. No minimum balance required according to legislation.

Senior Citizen Fund – to account for program income and expenditures related to the Senior Citizen's program. Authority is Village ordinance and DHHS 45 CFR Part 92. The funding is authorized by NMSA 1978 9-2-5 to 9-2-15. No minimum balance required according to legislation.

IRB Park Fund - to account for donations received to create a park pursuant to the Industrial Revenue Bonds. No minimum balance required according to legislation.

The *Joint Utility Fund* (Enterprise Fund) accounts for charges from the delivery of water and sewer utility services to the Village and the corresponding costs of delivering those services.

The *Solid Waste Fund* (Enterprise Fund) accounts for activities of solid waste utility service to the Village and the corresponding costs of delivering those services.

Additionally, the government reports the following fund types:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village maintains these funds to account for the assets of neighboring communities senior citizens funds.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

Program revenues 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Depreciation expense is specifically identified function and is included in the direct expense of each function. 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 water & sewer utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

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

Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. D. Assets, Liabilities, and Net Position or Equity (continued)

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------|--------------|
| Buildings | 30 |
| Land Improvements | 10 |
| Vehicles and Equipment | 5 |
| Infrastructure | 30 |
| Heavy Equipment | 20 |

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as Unearned Revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

Deferred Inflow/Outflows of Resources: 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 acquisition of net assets by the government that is applicable to a future reporting period. Property taxes levied but not received are recorded as deferred inflows of resources unless the amount is undetermined.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of ten days to twenty days per year, depending on length of service. Employees may accumulate up to 240 hours of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for all days of accrued annual leave. Qualified employees are entitled to accumulate sick leave up to 120 hours at a rate of twelve days per year. Sick leave can be carried over from year to year. Upon termination employees receive pay for sick time accumulated up to 120 hours.

All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of an employee retirements or terminations.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

D. Assets, Liabilities, and Net Position or Equity (continued)

Net Position or Fund Equity:

Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated

Restricted fund balance represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

Net investment in capital assets 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.

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Revenues: The Village receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and May 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Village recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Village records only the portion of the taxes considered 'measureable' and 'available' in the governmental fund financial statements. Descriptions of the individual general, debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented as part of the budgetary statements.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW 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 Village of Grady has an interest bearing account.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3. Deposits and Investments (continued)

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

| | Wells Fargo Bank |
|--|---------------------|
| Checking, Interest Bearing | \$ 920,674 |
| Total Deposits | 920,674 |
| Less: FDIC Coverage | 250,000 |
| Total uninsured public funds | 670,674 |
| 50% Collateral requirement | 335,337 |
| Pledged Securities | 371,411 |
| (Over)Under collateralized | \$ (36,074) |
| Custodial Credit Risk-Deposits | |
| Account Balance | \$ 920,674 |
| FDIC Insured | 250,000 |
| Pledged Collateral: | |
| Collateral held by the pledging bank, not in the Village's name | 371,411 |
| Uninsured and uncollateralized | 299,263 |
| Total Deposits | \$ 920,674 |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$299,263 of the Village's bank balance of \$920,674 was exposed to custodial credit risk.

The collateral pledged is listed on Schedule II of this report. 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.

Reconciliation of Cash and Temporary Investments

Carrying amounts by fund per financial statement at June 30, 2017 is:

| | |
|---|------------|
| Governmental Funds- Balance Sheet | |
| Cash and cash equivalents per Exhibit B-1 | \$851,465 |
| Cash and cash equivalents per Exhibit D-1 | 46,055 |
| Add outstanding deposits and checks | 23,154 |
| Total | \$ 920,674 |

The Village utilizes pooled accounts for their funds. The General, Special Revenue, and Proprietary funds are all in one account.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4. Receivables
Receivables as of June 30, 2017, are as follows:

| | | General Fund | Gas Tax Fund | Senior Citizens Fund | Total |
|---|----------|------------------|-----------------|-------------------------|------------------|
| Property Taxes | | \$ 294 | \$ - | \$ - | \$ 294 |
| Receivables Due from other governments: | | 11,648 | 422 | 14,941 | 27,011 |
| Other receivable | accounts | - | - | - | - |
| | | <u>\$ 11,942</u> | <u>\$ 422</u> | <u>\$ 14,941</u> | <u>\$ 27,305</u> |

| | Joint Utility | Solid Waste |
|---|-----------------|-----------------|
| Accounts receivable, net of allowance of \$0 | \$ 8,216 | \$ 1,446 |
| Total | <u>\$ 8,216</u> | <u>\$ 1,446</u> |

The above receivables are deemed 100% collectible. In accordance with GASB No.33, property tax receivables are presented net of unearned revenue in the governmental balance sheet. In accordance with GASB No.65, Deferred inflows of resources accounts for delinquent property taxes that are due to the Village but that have not been remitted to the Village. The deferred inflows of resources totaling \$-, is presented in the general fund.

NOTE 5. Interfund Receivables, Payables, and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Village did not have any interfund receivables, payables or transfers.

NOTE 6. Accounts Payables

Accounts payable as of June 30, 2017, are as follows:

| | |
|---|-----------------|
| Payable to vendors | \$ 3,691 |
| Accrued salaries and taxes | <u>-</u> |
| Total accounts payable and accrued expenses | <u>\$ 3,691</u> |

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows.

| Governmental Activities | <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u> |
|--|----------------------|------------------|------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 11,200 | \$ - | \$ - | \$ 11,200 |
| Total capital assets not being depreciated | <u>11,200</u> | <u>-</u> | <u>-</u> | <u>11,200</u> |
| Capital assets being depreciated: | | | | |
| Land Improvements | 23,232 | - | - | 23,232 |
| Buildings & 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 | 361,552 | - | - | 361,552 |
| Total capital assets being depreciated | <u>2,550,681</u> | <u>-</u> | <u>-</u> | <u>2,550,681</u> |
| Total Capital Assets | <u>2,561,881</u> | <u>-</u> | <u>-</u> | <u>2,561,881</u> |
| Less accumulated depreciation: | | | | |
| Land Improvements | 14,616 | 2,323 | - | 16,939 |
| Buildings & Improvements | 534,482 | 29,905 | - | 564,387 |
| Vehicles and Heavy Equipment | 475,892 | 56,585 | - | 532,477 |
| Equipment | 2,496 | 832 | - | 3,328 |
| Plant and Infrastructure | 180,776 | 12,052 | - | 192,828 |
| Total Accumulated Depreciation | <u>1,208,262</u> | <u>101,697</u> | <u>-</u> | <u>1,309,959</u> |
| Total capital assets net of depreciation | <u>\$ 1,353,619</u> | <u>(101,697)</u> | <u>-</u> | <u>1,251,922</u> |

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7. Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net position as follows:

| | |
|-------------------------|-------------|
| Governmental activities | \$1,251,922 |
|-------------------------|-------------|

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

| | |
|---|-------------------|
| General Government | \$ 44,279 |
| Public Safety | 56,586 |
| Culture and Recreation | <u>832</u> |
| Total depreciation expense governmental funds | <u>\$ 101,697</u> |

| Business-Like Activities | June 30, 2016 | Additions | Deletions | June 30, 2017 |
|---|-------------------|-------------------|-------------|-------------------|
| 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 Capital assets, not being depreciated | 10,488 | - | - | 10,488 |
| 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 Capital assets being depreciated | <u>376,921</u> | <u>-</u> | <u>-</u> | <u>376,921</u> |
| Total Capital Assets | 387,409 | - | - | 387,409 |
| Less accumulated depreciation: | | | | |
| Vehicles and Heavy Equipment | 37,982 | - | - | 37,982 |
| Equipment | 7,438 | - | - | 7,438 |
| Plant and Infrastructure | <u>170,020</u> | <u>11,050</u> | <u>-</u> | <u>181,070</u> |
| Total Accumulated Depreciation | 215,440 | 11,050 | - | 226,490 |
| Total capital assets net of depreciation | <u>\$ 171,969</u> | <u>\$(11,050)</u> | <u>\$ -</u> | <u>\$ 160,919</u> |

Depreciation expense relating to business-like activities for the year ended June 30, 2017 totaled \$11,050.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. Long-term Debt

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

| Governmental Activities | Balance June 30, 2016 | Additions | Retirements | Balance June 30, 2017 | Due Within One Year |
|--------------------------------|--------------------------|----------------|------------------|--------------------------|------------------------|
| Note Payable NMFA | \$ 110,881 | \$ - | \$ 20,794 | \$ 90,087 | \$ 21,420 |
| Compensated Absences | 1,835 | 1,700 | 3,535 | - | - |
| Total Long-Term Debt | \$ 112,716 | \$1,700 | \$ 24,329 | \$ 90,087 | \$ 21,420 |

The annual requirements to amortize the loan payable-NMFA as of June 30, 2017, including interest payments are as follows:

| Year Ended | Principal | Interest | Total |
|--------------|------------------|-----------------|------------------|
| 2018 | \$ 21,420 | \$ 2,304 | \$ 23,724 |
| 2019 | 22,111 | 1,830 | 23,941 |
| 2020 | 22,866 | 1,300 | 24,166 |
| 2021 | 23,690 | 694 | 24,384 |
| Total | \$ 90,087 | \$ 6,128 | \$ 96,215 |

In prior years, the General Fund has typically liquidated the compensated absences.

NOTE 9. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Village of Grady participates in the New Mexico Self-Insurer's Fund risk pool. The Village pays an annual premium to the pool based on claim experience and the status of the pool. The Village is not liable for more than the premium paid.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

A. Deficit fund balance of individual funds: None

Fund deficits will be funded by general fund transfers or by grant revenues.

B. No expenditures exceeded appropriations by fund.

NOTE 11. PERA Pension Plans

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

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. PERA Pension Plans (continued)

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

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. PERA Pension Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Village of Grady reported a liability of \$76,688 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Village of Grady’s proportion of the net pension liability was based on a projection of the Village of Grady’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Village of Grady’s proportion was 0.0048 %, which was a decrease of 0.0006% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village of Grady recognized pension expense of \$7,293. At June 30, 2017, Village of Grady reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 3,832 | \$ 748 |
| Changes of assumptions | 4,497 | 13 |
| Net difference between projected and actual earnings on pension plan investments | 14,110 | - |
| Changes in proportion and differences between the Village contributions and proportionate share of contributions | 2,289 | 4,741 |
| Village contributions subsequent to the measurement date | 3,619 | - |
| Total | \$ 28,347 | \$ 5,502 |

\$3,619 reported as deferred outflows of resources related to pensions resulting from the Village of Grady’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|----------|
| 2018 | \$ 4,220 |
| 2019 | 4,220 |
| 2020 | 7,355 |
| 2021 | 3,431 |
| Thereafter | \$ - |

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. PERA Pension Plans (continued)

| | |
|---------------------------------|--|
| PERA | |
| Actuarial valuation date | June 30, 2015 |
| 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 rate of return | 7.48% annual rate, net of investment expense |
| Projected benefit payment | 100 years |
| Payroll Growth | 2.75% for first 10 years, then 3.25% annual rate |
| Projected salary increases | 2.75% to 14.00% annual rate |
| Includes inflation at | 2.25% annual rate first 10 years |
| | 2.75% all other years |
| | |
| Mortality Assumption | RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| Experience Study Dates | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic) |

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

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

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11. PERA Pension Plans (continued)

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

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

Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Village of Grady’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Village of Grady’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

| PERA Fund Division – General Division | 1% Decrease (6.48%) | Current Discount Rate (7.48%) | 1% Increase (8.48%) |
|--|--------------------------------|--|--------------------------------|
| Village’s proportionate share of the net pension liability | \$ 114,335 | \$76,688 | \$ 45,462 |

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

Payables to the pension plan. At June 30, 2017, the Village had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

NOTE 12. Post-Employment Benefits

The Retiree Health Care Act 10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Village has elected not to participate in the program for the current year.

NOTE 13. Contingent Liabilities

The Village is party to various claims and lawsuits arising in the normal course of business. Management and the Village's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Village which are not covered by the Village's insurance as described in Note 9.

NOTE 14. Federal and State Grants

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 15. Joint Powers Agreements

Law Enforcement Services

Purpose: The Village entered into an agreement with the Curry County for law enforcement services provided by the Curry County Sheriff. Using grant funds, the Village will purchase qualified law enforcement property and equipment and dedicate and maintain them for the exclusive use of members of the Curry Country Sheriff's Office.

Participants: Curry County and Village of Grady

Responsible Party for Operation and Audit: Village of Grady

Beginning and Ending Date of Agreement: Effective March 20, 2016 and is subject to the obtainment and receipt by the Village of LEP funds.

Total Estimated Amount of Project and Actual Amount Contributed: Up to \$20,000 in Law Enforcement Protection Funds.

NOTE 16. Related Party Transactions

The Deputy Clerks are related to each other. The Deputy Clerks are part time and do not work the on the same day nor do they report to each other. The Village Clerk is their immediate supervisor.

NOTE 17. Commitments

The Village had the following commitments on contracts at June 30, 2017:

The Village entered into a contract with Sauder, Miller and Associates in April 2017 for the redevelopment of the park totaling \$19,594. As of June 30, 2017 the Village owed \$19,594.

NOTE 18. Subsequent Review

The Village of Grady has evaluated subsequent events through July 28, 2017, which is the date the financial statements were dated.

NOTE 19. GASB 77 Disclosures

The Village of Grady entered in to certain agreements during the year that involve tax abatements; the following tables outline the key information regarding the entities involved and the type and amounts of taxes abated during the year ending June 30, 2017.

| | |
|--|---|
| Agency Number | 6078 |
| Agency Name | Village of Grady |
| Agency Type | Governmental Municipality |
| Tax Abatement Agreement Name | Broadview Energy Prime LLC Project Series 2013 A |
| Recipient(s) of tax abatement | Broadview Energy Prime, LLC |
| Parent company(ies) of recipient(s) of tax abatement | Broadview Energy Prime, LLC |
| Tax abatement program (name and brief description) | Village of Grady, New Mexico Taxable Industrial Revenue Bonds |
| Specific Tax(es) Being Abated | Gross Receipts tax on tangible personal property used in construction and Curry County Property taxes |
| Legal authority under which tax abatement agreement was entered into | NMSA, 3-32-1 through 3-32-16 Industrial Revenue Bond Act |
| Criteria that make a recipient eligible to receive a tax abatement | Property Site Lease for Wind Turbines |
| How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value) | Through a reduction of assessed value and through a deduction of gross receipts for tangible personal property used for the property. |
| How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc. | The tax abatement is determined by 100% of the property tax liability. |
| Are there provisions for recapturing abated taxes? (Yes or No) | Yes |
| If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture. | Any default of the Company under this Agreement cannot be cured without obtaining possession of all or part of the Project Property. |
| List each specific commitment made by the recipient of the abatement. | To make payments in lieu of property taxes to the Village of Grady and to Grady Municipal Schools for a period of 20 years |
| Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement. | 100% of property taxes and 100% of gross receipts tax on tangible personal property used for the project |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency or another agency in association with the foregoing tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment. | Pursuant to Section 7-36-3 NMSA, 1978, the Village of Grady received \$9,375 as payment in lieu of property taxes. |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency in association with the foregoing tax revenue, list the name of the agency and the amount of payments received in the current fiscal year | Broadview Prime, LLC pays the property taxes during the fiscal year, thus there is no reported receivable |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by a different agency in association with the foregoing tax revenue, list the name of the agency and the amount of payments received in the current fiscal year | None |
| List each specific commitment made by your agency or any other government, other than the tax abatement. | None |
| Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency. | Yes, Grady Municipal Schools |
| If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission. | N/A |

| | |
|--|---|
| Agency Number | 6078 |
| Agency Name | Village of Grady |
| Agency Type | Governmental Municipality |
| Tax Abatement Agreement Name | Broadview Energy Prime II LLC Project Series 2013 B |
| Recipient(s) of tax abatement | Broadview Energy Prime II, LLC |
| Parent company(ies) of recipient(s) of tax abatement | Broadview Energy Prime II, LLC |
| Tax abatement program (name and brief description) | Village of Grady, New Mexico Taxable Industrial Revenue Bonds |
| Specific Tax(es) Being Abated | Gross Receipts tax on tangible personal property used in construction and Curry County Property taxes |
| Legal authority under which tax abatement agreement was entered into | NMSA, 3-32-1 through 3-32-16 Industrial Revenue Bond Act |
| Criteria that make a recipient eligible to receive a tax abatement | Property Site Lease for Wind Turbines |
| How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value) | Through a reduction of assessed value and through a deduction of gross receipts for tangible personal property used for the property. |
| How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc. | The tax abatement is determined by 100% of the property tax liability. |
| Are there provisions for recapturing abated taxes? (Yes or No) | Yes |
| If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture. | Any default of the Company under this Agreement cannot be cured without obtaining possession of all or part of the Project Property. |
| List each specific commitment made by the recipient of the abatement. | To make payments in lieu of property taxes to the Village of Grady and to Grady Municipal Schools for a period of 20 years |
| Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement. | 100% of property taxes and 100% of gross receipts tax on tangible personal property used for the project |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency or another agency in association with the foregoing tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment. | Pursuant to Section 7-36-3 NMSA, 1978, the Village of Grady received \$9,375 as payment in lieu of property taxes. |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency in association with the foregoing tax revenue, list the name of the agency and the amount of payments received in the current fiscal year | Broadview Prime, LLC pays the property taxes during the fiscal year, thus there is no reported receivable |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by a different agency in association with the foregoing tax revenue, list the name of the agency and the amount of payments received in the current fiscal year | None |
| List each specific commitment made by your agency or any other government, other than the tax abatement. | None |
| Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency. | Yes, Grady Municipal Schools |
| If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission. | N/A |

| | |
|--|---|
| Agency Number | 6078 |
| Agency Name | Village of Grady |
| Agency Type | Governmental Municipality |
| Tax Abatement Agreement Name | Broadview Energy KW LLC Project Series 2016 KW |
| Recipient(s) of tax abatement | Broadview Energy KW, LLC |
| Parent company(ies) of recipient(s) of tax abatement | Broadview Energy Prime, LLC |
| Tax abatement program (name and brief description) | Village of Grady, New Mexico Taxable Industrial Revenue Bonds |
| Specific Tax(es) Being Abated | Gross Receipts tax on tangible personal property used in construction and Curry County Property taxes |
| Legal authority under which tax abatement agreement was entered into | NMSA, 3-32-1 through 3-32-16 Industrial Revenue Bond Act |
| Criteria that make a recipient eligible to receive a tax abatement | Property Site Lease for Wind Turbines |
| How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value) | Through a reduction of assessed value and through a deduction of gross receipts for tangible personal property used for the property. |
| How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc. | The tax abatement is determined by 100% of the property tax liability. |
| Are there provisions for recapturing abated taxes? (Yes or No) | Yes |
| If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture. | Any default of the Company under this Agreement cannot be cured without obtaining possession of all or part of the Project Property. |
| List each specific commitment made by the recipient of the abatement. | To make payments in lieu of property taxes to the Village of Grady and to Grady Municipal Schools for a period of 30 years |
| Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement. | 100% of property taxes and 100% of gross receipts tax on tangible personal property used for the project |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency or another agency in association with the foregoing tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment. | Pursuant to Section 7-36-3 NMSA, 1978, the Village of Grady received \$78,600 as payment in lieu of property taxes. |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency in association with the foregoing tax revenue, list the name of the agency and the amount of payments received in the current fiscal year | Broadview Prime, LLC pays the property taxes during the fiscal year, thus there is no reported receivable |
| For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by a different agency in association with the foregoing tax revenue, list the name of the agency and the amount of payments received in the current fiscal year | None |
| List each specific commitment made by your agency or any other government, other than the tax abatement. | None |
| Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency. | Yes, Grady Municipal Schools and Texico Municipal Schools |
| If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission. | N/A |

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO

VILLAGE OF GRADY

June 30, 2017

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Village with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Emergency Medical Services (EMS) Fund - to account for the acquisitions of the emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Authority by State Statute 24-10A-1 to 24-10A-10. No minimum balance required according to legislation.

Law Enforcement Protection Fund - to account for grant funds used for maintenance and development of the Village's police force. Financing is provided by a grant from the State of New Mexico. Such revenue provides for purchase and repairs of equipment as well as classes to update the training of police personnel and may be used only for these purposes. Authority is NMSA 29-13-1. No minimum balance required according to legislation.

Gas Tax Fund - To account for the receipts of State of New Mexico gasoline taxes and expenditures to maintain the roads of the Village.

Activities Fund - to account for revenues raised and expenditures of promotional activities of the Village. Authority is ordinance Resolution 76-6. No minimum balance required according to legislation.

All funds are on a reimbursement basis, therefore there are no reverting fund requirements.

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STATE OF NEW MEXICO
VILLAGE OF GRADY
June 30, 2017

PROPRIETARY MAJOR FUNDS

Joint Utility Fund

To account for the activities of the Village's water services provided to the residents of Grady, New Mexico. All activities necessary to provide these services are accounted for in this fund.

Solid Waste Fund

To account for the activities for the maintenance of the solid waste operations. All activities necessary to provide these services are accounted for in this fund.

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STATE OF NEW MEXICO
VILLAGE OF GRADY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2017

Schedule A-1

| | Emergency Medical Services Fund | Law Enforcement Protection Fund | Gas Tax Fund | Total Nonmajor Governmental Funds |
|--|---------------------------------------|------------------------------------|--------------|---|
| <i>Assets</i> | | | | |
| Cash and cash equivalents | \$ 1 | \$ - | \$ 68,469 | \$ 68,470 |
| Other receivables | - | - | 422 | 422 |
| Inventory | - | - | - | - |
| <i>Total assets</i> | \$ 1 | \$ - | \$ 68,891 | \$ 68,892 |
| <i>Liabilities</i> | | | | |
| Due to Pooled Cash | \$ - | \$ - | \$ - | \$ - |
| Accounts payable | - | - | - | - |
| Unearned Revenue | - | - | - | - |
| <i>Total liabilities</i> | - | - | - | - |
| <i>Deferred inflows of resources</i> | | | | |
| Unavailable revenue-property taxes | - | - | - | - |
| <i>Total deferred inflows of resources</i> | - | - | - | - |
| <i>Fund Balances</i> | | | | |
| Fund Balance | | | | |
| Restricted for: | | | | |
| General Fund | - | - | - | - |
| Special Revenue Funds | 1 | - | 68,891 | 68,892 |
| Capital Projects Funds | - | - | - | - |
| Debt Service Funds | - | - | - | - |
| Committed for: | - | - | - | - |
| General Fund | - | - | - | - |
| Special Revenue Funds | - | - | - | - |
| Capital Projects Funds | - | - | - | - |
| Assigned for: | - | - | - | - |
| General Fund | - | - | - | - |
| Special Revenue Funds | - | - | - | - |
| Capital Projects Funds | - | - | - | - |
| Unassigned for: | - | - | - | - |
| General Fund | - | - | - | - |
| <i>Total fund balances</i> | 1 | - | 68,891 | 68,892 |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | \$ 1 | \$ - | \$ 68,891 | \$ 68,892 |

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STATE OF NEW MEXICO

Schedule A-2

VILLAGE OF GRADY

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2017

| | Emergency Medical Services Fund | Law Enforcement Protection Fund | Gas Tax Fund | Total Nonmajor Governmental Funds |
|--|---------------------------------------|---------------------------------------|------------------|--|
| <i>Revenues:</i> | | | | |
| Taxes | | | | |
| Gross receipts taxes | \$ - | \$ - | \$ - | \$ - |
| State Grant Income | 7,004 | 20,000 | 5,015 | 32,019 |
| Charges for Services | - | - | - | - |
| Licenses and Fees | - | - | - | - |
| Investment Income (Loss) | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>7,004</u> | <u>20,000</u> | <u>5,015</u> | <u>32,019</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Public Safety | 7,021 | 20,000 | - | 27,021 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | - | - | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>7,021</u> | <u>20,000</u> | <u>-</u> | <u>27,021</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(17)</u> | <u>-</u> | <u>5,015</u> | <u>4,998</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | (17) | - | 5,015 | 4,998 |
| <i>Fund balances - beginning of year</i> | <u>18</u> | <u>-</u> | <u>63,876</u> | <u>63,894</u> |
| <i>Fund balances - end of year</i> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 68,891</u> | <u>\$ 68,892</u> |

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PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Village of Grady
Required Supplementary Information
June 30, 2017

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Village's proportion of the net pension liability (asset) | 0.0048% | 0.0054% | 0.0050% |
| Village's proportionate share of the net pension liability (asset) | \$ 76,688 | \$ 55,058 | \$ 39,005 |
| Village's covered-employee payroll | \$ 48,907 | \$ 53,002 | \$ 58,145 |
| Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 156.80% | 103.88% | 67.08% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

**Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village of Grady is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO
Village of Grady
Required Supplementary Information
June 30, 2017

SCHEDULE OF THE CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA Fund Division - General

Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Statutory required contribution | \$ 3,619 | \$ 3,922 | \$ 4,303 |
| Contributions in relation to the statutory required contribution | \$ 3,619 | \$ 3,922 | \$ 4,303 |
| Annual contribution deficiency (excess) | - | - | - |

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Village of Grady is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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STATE OF NEW MEXICO
Village of Grady
Required Supplementary Information
June 30, 2017

**Notes to Required Supplementary Information
For the Year Ended June 30, 2017**

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

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

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
VILLAGE OF GRADY
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
JUNE 30, 2017

Schedule I

| <u>Bank Account Type/Name</u> | <u>Wells Fargo Bank</u> | <u>Total</u> |
|-----------------------------------|-------------------------|-------------------|
| Checking - Village of Grady | \$ 920,674 | <u>\$ 920,674</u> |
| Total On Deposit | 920,674 | 920,674 |
| Reconciling Items | <u>(23,155)</u> | <u>(23,155)</u> |
| Reconciled Balance, June 30, 2017 | <u>\$ 897,519</u> | <u>\$ 897,519</u> |

This amount is reflected in the financial statements as follows:

| | |
|--|-------------------|
| Cash and cash equivalents-Governmental activities Ex-A-1 | 897,519 |
| | <u>\$ 897,519</u> |

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STATE OF NEW MEXICO

Schedule II

VILLAGE OF GRADY
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
 FOR PUBLIC FUNDS
 JUNE 30, 2017

| Name of Depository | Description of Pledged Collateral | Market Value June 30, 2017 | Name and Location of Safekeeper |
|-----------------------|---|----------------------------------|---|
| Wells Fargo Bank | FNMA FNMS 3138W4ZH7 2/1/1943 | \$ 371,411 | Bank of New York Mellon New York, NY |
| | | <u>\$ 371,411</u> | |

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COMPLIANCE SECTION

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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 AUDITORS REPORT**

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Village of Grady
Grady, New Mexico NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Special Revenue funds, and capital project funds of the Village of Grady as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Village of Grady's basic financial statements, and the combining and individual and related budgetary comparisons of Village of Grady, presented as supplemental information, and have issued our report thereon dated July 28, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Grady's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Purpose of this Report

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

Precision Accounting, LLC

Precision Accounting LLC
Albuquerque, New Mexico
July 28, 2017

**STATE OF NEW MEXICO VILLAGE OF
GRADY
SCHEDULE OF FINDINGS AND
RESPONSES AND OTHER DISCLOSURES
June 30, 2017**

A. PRIOR YEAR AUDIT FINDINGS

None

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None

C. AUDITOR PREPARED FINANCIAL STATEMENTS

The Village has the capability of understanding and accepting responsibility for its own GAAP-basis financial statements, however, the Village's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

D. EXIT CONFERENCE

The contents of this report were discussed on July 19, 2017. The following individuals were in attendance.

Village of Grady
Wesley Shafer, Mayor
Leona Powell, Clerk/Treasurer

Precision Accounting LLC
Melissa R. Santistevan, CPA, CFE, CGMA
Alexandra Yebra, Senior Accountant
Zachary Hayes, Senior Accountant