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6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccicpa.com

**STATE OF NEW MEXICO  
CITY OF GRANTS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY  
INFORMATION**

**JUNE 30, 2017**

**STATE OF NEW MEXICO  
CITY OF GRANTS**

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**STATE OF NEW MEXICO  
CITY OF GRANTS**

**OFFICIAL ROSTER**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Title</u>
Martin Hicks	Mayor
Michael Quintana	Mayor Pro-Tem
Manuel Vasquez	Councilor
Michael W Lewis	Councilor
Rick Lucero	Councilor
Cyndi Reynolds	Councilor

**ADMINISTRATIVE STAFF**

Laura Jaramillo	City Manager
John Paul Molerres	Director of Finance (through June 30,2017)

## **FINANCIAL SECTION**



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## Independent Auditor's Report

Mr. Wayne Johnson, State Auditor  
The Mayor and City Council  
City of Grants  
Grants, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Grants (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise, fiduciary funds and the budgetary comparisons for the major capital project funds, debt service funds, and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Modified Opinion**

There was no system of internal control for capital assets on which we could rely for the purpose of our audit. We were unable to obtain sufficient audit evidence to conclude that capital asset balances were materially correct.

### **Opinions**

In our opinion, except for the effects of the capital assets ending balances, 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 City, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the effects of the capital assets ending balances, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental, non-major enterprise, and fiduciary funds of the City as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, debt service funds, and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Management has omitted Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Retiree Health Care Plan — Schedule of Funding Progress, and GASB 68 required supplemental schedules on pages 59 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion



or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Changes in Net Assets and Liabilities – Agency Fund, and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is 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 statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Net Assets and Liabilities – Agency Fund and other schedules required by Section 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 27, 2018 on our consideration of the City of Grants' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***Ricci & Company LLC***

Albuquerque, New Mexico  
July 27, 2018

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GRANTS**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 12,513,690	2,358,070	14,871,760
Cash held with trustee	219,354	-	219,354
Taxes receivable, net	607,366	516,270	1,123,636
Grant revenue receivable	145,203	-	145,203
Internal balances	12,109	9,947,036	9,959,145
Inventories	-	65,725	65,725
<b>Total current assets</b>	<b>13,497,722</b>	<b>12,887,101</b>	<b>26,384,823</b>
Noncurrent assets:			
Restricted assets:			
Cash-SBF-Construction	-	4,962	4,962
Cash - debt reserves	-	425,788	425,788
Cash - customer deposits	-	252,364	252,364
Capital assets:			
Capital assets not depreciated	11,420,720	3,777,124	15,197,844
Capital assets, depreciated	60,408,451	37,356,476	97,764,927
Accumulated depreciation	(21,420,442)	(23,906,690)	(45,327,132)
<b>Total noncurrent assets</b>	<b>50,408,729</b>	<b>17,910,024</b>	<b>68,318,753</b>
<b>Total assets</b>	<b>63,906,451</b>	<b>30,797,125</b>	<b>94,703,576</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions subsequent to measurement date	407,676	55,198	462,874
Deferred outflows related to pensions	2,872,006	356,900	3,228,906
<b>Total deferred outflows of resources</b>	<b>3,279,682</b>	<b>412,098</b>	<b>3,691,780</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	659,293	140,000	799,293
Accrued payroll	729,725	49,882	779,607
Customer deposits	-	252,167	252,167
Bank overdraft	2,401,985	39,079	2,441,064
Internal balances	2,603,788	7,355,358	9,959,146
Compensated absences	281,981	72,277	354,258
Bonds, notes and leases payable	113,802	424,943	538,745
<b>Total current liabilities</b>	<b>6,790,574</b>	<b>8,333,706</b>	<b>15,124,280</b>
Noncurrent liabilities:			
Net pension liability	8,398,252	993,619	9,391,871
OPEB liability	963,228	-	963,228
Compensated absences	59,505	19,213	78,718
Bonds, notes and leases payable	119,502	377,074	496,576
<b>Total noncurrent liabilities</b>	<b>9,540,487</b>	<b>1,389,906</b>	<b>10,930,393</b>
<b>Total liabilities</b>	<b>16,331,061</b>	<b>9,723,612</b>	<b>26,054,673</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	88,080	9,863	97,943
<b>NET POSITION</b>			
Net investment in capital assets	50,175,425	16,424,893	66,600,318
Restricted for:			
Debt service	521,649	425,788	947,437
Other purposes	2,677,785	252,364	2,930,149
Subsequent year's expenditures	779,085	-	779,085
Unrestricted	(3,386,952)	4,372,703	985,751
<b>Total net position</b>	<b>\$ 50,766,992</b>	<b>21,475,748</b>	<b>72,242,740</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		<b>Total</b>
					<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Primary government</b>							
Governmental activities:							
General government	\$ 5,872,412	976,129	90,000	-	\$ (4,806,283)	-	(4,806,283)
Public safety	3,936,292	34,010	332,910	-	(3,569,372)	-	(3,569,372)
Public works	1,504,040	-	-	2,470,988	966,948	-	966,948
Health and welfare	750,845	20,441	202,876	-	(527,528)	-	(527,528)
Cultural and recreational	1,301,669	-	15,000	-	(1,286,669)	-	(1,286,669)
Interest and fees on long-term debt	11,626	-	-	-	(11,626)	-	(11,626)
<b>Total governmental activities</b>	<b>13,376,884</b>	<b>1,030,580</b>	<b>640,786</b>	<b>2,470,988</b>	<b>(9,234,530)</b>	<b>-</b>	<b>(9,234,530)</b>
Business-type activities:							
Utility	4,806,261	6,881,038	-	-	-	2,074,777	2,074,777
Golf	860,895	416,520	-	-	-	(444,375)	(444,375)
Rental	-	-	-	-	-	-	-
Airport	200,764	-	-	-	-	(200,764)	(200,764)
Interest and fees on long-term debt	16,934	-	-	-	-	(16,934)	(16,934)
<b>Total business-like activities</b>	<b>5,884,854</b>	<b>7,297,558</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,412,704</b>	<b>1,412,704</b>
<b>Total primary government</b>	<b>\$ 19,261,738</b>	<b>8,328,138</b>	<b>640,786</b>	<b>2,470,988</b>	<b>\$ (9,234,530)</b>	<b>1,412,704</b>	<b>(7,821,826)</b>
<b>General Revenues</b>							
Taxes:							
Gross receipts/state shared					\$ 6,428,896	-	6,428,896
Property					573,353	-	573,353
Lodgers' tax					340,780	-	340,780
Franchise tax					331,606	-	331,606
Investment income					18,123	-	18,123
Other					1,728,910	116,145	1,845,055
Sale of lots					32,400	-	32,400
Donations					627	-	627
<b>Transfers</b>							
Operating transfers, net					(96,702)	96,702	-
Capital transfers, net					(19,370)	(467,150)	(486,520)
<b>Total general revenues and transfers</b>					<b>9,338,623</b>	<b>(254,303)</b>	<b>9,084,320</b>
<b>Change in net position</b>					104,093	1,158,401	1,262,494
Net position (deficit), beginning of year					50,662,899	20,317,347	70,980,246
<b>Net position (deficit), end of year</b>					<b>\$ 50,766,992</b>	<b>21,475,748</b>	<b>72,242,740</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Pooled cash investments	\$ 9,595,179	-	2,918,511	12,513,690
Cash held with trustee	-	-	219,354	219,354
Accounts receivable, net allowance	545,797	-	61,569	607,366
Grant revenue receivable	-	145,203	-	145,203
Due from other funds	2,105,942	-	-	2,105,942
<b>Total assets</b>	<b>\$ 12,246,918</b>	<b>145,203</b>	<b>3,199,434</b>	<b>15,591,555</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 453,697	205,596	-	659,293
Accrued payroll	713,795	-	15,930	729,725
Bank overdraft	-	2,118,782	283,203	2,401,985
Due to other funds	2,427,583	2,258,438	11,600	4,697,621
<b>Total liabilities</b>	<b>3,595,075</b>	<b>4,582,816</b>	<b>310,733</b>	<b>8,488,624</b>
Fund Balances:				
Restricted	779,085	-	3,199,434	3,978,519
Assigned	7,842	-	-	7,842
Unassigned	7,864,916	(4,437,613)	(310,733)	3,116,570
<b>Total fund balances</b>	<b>8,651,843</b>	<b>(4,437,613)</b>	<b>2,888,701</b>	<b>7,102,931</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,246,918</b>	<b>145,203</b>	<b>3,199,434</b>	<b>15,591,555</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
RECONCILIATION OF THE FUND BALANCE OF  
GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES  
NET POSITION  
June 30, 2017**

<b>Fund Balance of Governmental Funds</b>		\$ 7,102,931
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		50,408,729
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Net pension liability	\$ (8,398,252)	
OPEB liability	(963,228)	
Compensated absences	(341,486)	
Notes, bonds and leases payable	<u>(233,304)</u>	
		(9,936,270)
Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore are not reported in the funds		
Deferred outflows of resources related to pensions	3,279,682	
Deferred inflows of resources related to pensions	<u>(88,080)</u>	
		<u>3,191,602</u>
<b>Net position of governmental activities</b>		<u><u>\$ 50,766,992</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
<b>Revenues</b>				
Intergovernmental - federal	\$ 5,333	102,519	47,193	155,045
Intergovernmental - state	90,596	2,368,469	415,064	2,874,129
Intergovernmental - other	50,200	-	32,400	82,600
Property tax	573,353	-	-	573,353
State shared taxes and municipal taxes	6,302,433	-	126,463	6,428,896
Lodgers' tax	-	-	340,780	340,780
Licenses and permits	69,977	-	-	69,977
Fines	87,321	-	-	87,321
Franchise tax	331,606	-	-	331,606
Fees, service charges, and rental revenue	818,831	-	54,451	873,282
Investment income	16,215	-	1,908	18,123
Sales of lots	19,440	-	12,960	32,400
Donations	-	-	627	627
Miscellaneous	415,757	1,311,153	2,000	1,728,910
<b>Total revenues</b>	<b>8,781,062</b>	<b>3,782,141</b>	<b>1,033,846</b>	<b>13,597,049</b>
<b>Expenditures</b>				
Current:				
General government	3,892,053	43,915	39,956	3,975,924
Public safety	3,292,933	-	438,572	3,731,505
Public works	966,788	-	-	966,788
Health and welfare	-	-	672,119	672,119
Cultural and recreational	993,106	-	308,563	1,301,669
Capital outlay	50,972	6,445,521	239,955	6,736,448
Debt Service:				
Principal	-	-	154,542	154,542
Interest and other charges	-	-	11,000	11,000
Fees	-	-	626	626
<b>Total expenditures</b>	<b>9,195,852</b>	<b>6,489,436</b>	<b>1,865,333</b>	<b>17,550,621</b>
<b>Revenues over (under) expenditures</b>	<b>(414,790)</b>	<b>(2,707,295)</b>	<b>(831,487)</b>	<b>(3,953,572)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	293,298	679,230	972,528
Operating transfers out	(894,306)	-	(174,924)	(1,069,230)
Capital transfer out	-	-	(19,370)	(19,370)
<b>Total other financing sources (uses)</b>	<b>(894,306)</b>	<b>293,298</b>	<b>484,936</b>	<b>(116,072)</b>
<b>Net change in fund balances</b>	<b>(1,309,096)</b>	<b>(2,413,997)</b>	<b>(346,551)</b>	<b>(4,069,644)</b>
Fund balances, beginning of year	9,960,939	(2,023,616)	3,235,252	11,172,575
<b>Fund balances - end of year</b>	<b>\$ 8,651,843</b>	<b>(4,437,613)</b>	<b>2,888,701</b>	<b>7,102,931</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017**

**Net change in fund balances - Governmental Funds** \$ (4,069,644)

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

Governmental funds report capital outlay 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. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	\$ (1,653,779)	
Capital outlay	<u>6,736,448</u>	
Excess of depreciation expense over capital outlay		5,082,669

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 154,542

Some expenses (or reduction thereof) reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - accrued compensated absences. (13,603)

City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Contributions subsequent to measurement date		407,676
Pension expense		(1,334,883)

Net unpaid annual required contribution for OPEB plan creates a long-term liability not recorded in governmental funds. (122,664)

**Change in net position of governmental activities** \$ 104,093

*The Notes to the Financial Statements are an integral part of this statement.*



**CITY OF GRANTS**  
**STATEMENT OF REVENUES AND EXPENDITURES BUDGET**  
**(NON-GAAP BASIS) AND ACTUAL (CASH BASIS) GENERAL FUND**  
**Year Ended June 30, 2017**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 573,353	530,724	573,353	42,629
State shared taxes , municipal taxes and gross receipts	7,084,562	7,397,344	7,068,273	(329,071)
Franchise fees	331,606	335,000	331,606	(3,394)
Intergovernmental revenue	146,130	209,700	146,129	(63,571)
Fine and forfeits	85,747	114,000	85,747	(28,253)
Licenses and permits	24,535	25,000	40,825	15,825
Charges for Services	79,514	90,000	818,696	728,696
Investment income	-	11,000	16,215	5,215
Miscellaneous	814,974	1,200,000	75,826	(1,124,174)
<b>Total revenues</b>	<b>9,140,421</b>	<b>9,912,768</b>	<b>9,156,670</b>	<b>(756,098)</b>
<b>Expenditures</b>				
Current:				
General government	4,433,484	4,433,484	3,614,437	819,047
Public safety	2,756,608	2,756,608	3,232,143	(475,535)
Public works	864,357	864,357	897,186	(32,829)
Cultural and recreation	331,416	331,416	973,070	(641,654)
Health and welfare	-	-	-	-
Capital outlay	-	-	50,972	(50,972)
<b>Total expenditures</b>	<b>8,385,865</b>	<b>8,385,865</b>	<b>8,767,808</b>	<b>(381,943)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>754,556</b>	<b>1,526,903</b>	<b>388,862</b>	<b>(1,138,041)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	10,500	-	(10,500)
Operating transfers out	(3,055,600)	(1,563,432)	(894,306)	669,126
<b>Total other financing sources (uses)</b>	<b>(3,055,600)</b>	<b>(1,552,932)</b>	<b>(894,306)</b>	<b>658,626</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<b>(2,301,044)</b>	<b>(26,029)</b>	<b>(505,444)</b>	
<b>Budgeted cash carryover</b>	<b>2,301,044</b>	<b>26,029</b>		
	<b>\$ -</b>	<b>-</b>		
<b>Budgetary - GAAP Reporting Reconciliation:</b>				
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary)			\$ (505,444)	
Adjustments for revenue accruals, transfers, earnings on investments			(375,608)	
Adjustments for expenditures for payables, inventory, other expenditure accruals			(428,044)	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (1,309,096)</b>	

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	Utilities	Nonmajor Proprietary Funds	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 2,356,561	1,509	2,358,070
Accounts receivable - other sewer (net of allowance)	-	40,847	40,847
Inventory	475,423	-	475,423
Due from other funds	65,725	-	65,725
	9,947,036	-	9,947,036
<b>Total current assets</b>	<b>12,844,745</b>	<b>42,356</b>	<b>12,887,101</b>
<b>Non-Current Assets</b>			
<b>Restricted Assets:</b>			
Cash - flood prevention project	4,962	-	4,962
Cash debt reserves	425,788	-	425,788
Cash customer deposits	252,364	-	252,364
<b>Total restricted assets</b>	<b>683,114</b>	<b>-</b>	<b>683,114</b>
<b>Capital Assets:</b>			
Capital assets - not depreciated	3,777,124	-	3,777,124
Capital assets - depreciated	35,182,911	2,173,565	37,356,476
Less accumulated depreciation	(22,429,113)	(1,477,577)	(23,906,690)
<b>Net capital assets</b>	<b>16,530,922</b>	<b>695,988</b>	<b>17,226,910</b>
<b>Total assets</b>	<b>30,058,781</b>	<b>738,344</b>	<b>30,797,125</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions subsequent to measurement date	\$ 28,799	26,399	55,198
Deferred outflows related to pensions	186,209	170,691	356,900
<b>Total deferred outflows of resources</b>	<b>215,008</b>	<b>197,090</b>	<b>412,098</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS (CONTINUED)**  
**June 30, 2017**

	Utilities	Nonmajor Proprietary Funds	Total
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 140,000	-	140,000
Accrued payroll	22,987	26,895	49,882
Tenant security deposits/utility deposits	252,167	-	252,167
Bank Overdraft	-	39,079	39,079
Due to other funds	7,355,358	-	7,355,358
Current portion of compensated absences	41,341	30,936	72,277
Current portion of long-term debt/lease payable	424,943	-	424,943
<b>Total current liabilities</b>	<b>8,236,796</b>	<b>96,910</b>	<b>8,333,706</b>
<b>Noncurrent Liabilities</b>			
Net pension liability	518,410	475,209	993,619
Compensated absences	10,990	8,223	19,213
Bonds, notes and leases payable	377,074	-	377,074
<b>Total noncurrent liabilities</b>	<b>906,474</b>	<b>483,432</b>	<b>1,389,906</b>
<b>Total liabilities</b>	<b>9,143,270</b>	<b>580,342</b>	<b>9,723,612</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	5,146	4,717	9,863
<b>NET POSITION</b>			
Net investment in capital assets	15,728,905	695,988	16,424,893
Restricted:			
Construction	4,962	-	4,962
Debt service	425,788	-	425,788
Customer deposits	252,364	-	252,364
Unrestricted	4,713,354	(345,613)	4,367,741
<b>Total net position</b>	<b>\$ 21,125,373</b>	<b>350,375</b>	<b>21,475,748</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	Utilities	Nonmajor Proprietary Funds	Total
<b>OPERATING REVENUES</b>			
Water, sewer and refuse sales	\$ 6,881,038	-	6,881,038
Golf fees	-	416,520	416,520
<b>Total operating revenues</b>	<b>6,881,038</b>	<b>416,520</b>	<b>7,297,558</b>
<b>OPERATING EXPENSES</b>			
Operating expenses	4,491,250	1,041,552	5,532,802
Depreciation	315,011	20,107	335,118
<b>Total operating expenses</b>	<b>4,806,261</b>	<b>1,061,659</b>	<b>5,867,920</b>
<b>Net income (loss) from operations</b>	<b>2,074,777</b>	<b>(645,139)</b>	<b>1,429,638</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest expense	(16,934)	-	(16,934)
Other miscellaneous income (expense)	-	116,145	116,145
<b>Total non-operating revenues (expenses)</b>	<b>(16,934)</b>	<b>116,145</b>	<b>99,211</b>
<b>Net income (loss) before contributions and transfers</b>	<b>2,057,843</b>	<b>(528,994)</b>	<b>1,528,849</b>
Operating transfers in	-	455,000	455,000
Operating transfers (out)	(358,298)	-	(358,298)
Capital transfers (out)	-	(467,150)	(467,150)
<b>Change in net position</b>	<b>1,699,545</b>	<b>(541,144)</b>	<b>1,158,401</b>
Net position, beginning of year	19,425,828	891,519	20,317,347
<b>Total net position, at end of year</b>	<b>\$ 21,125,373</b>	<b>350,375</b>	<b>21,475,748</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2017**

	Utilities	Nonmajor Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 6,893,908	429,471	7,323,379
Cash paid to suppliers	(4,272,992)	(501,506)	(4,774,498)
Cash paid to and on behalf of employees	(502,091)	(510,947)	(1,013,038)
<b>Net cash provided (used) by operating activities</b>	<b>2,118,825</b>	<b>(582,982)</b>	<b>1,535,843</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Grants and subsidies	-	116,145	116,145
Advances (to) from other funds	(2,435,349)	-	(2,435,349)
Transfers in (out)	(358,298)	455,000	96,702
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(2,793,647)</b>	<b>571,145</b>	<b>(2,222,502)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of property and equipment	(695,040)	-	(695,040)
Principal paid: revenue bonds/lease purchase/advances	(417,026)	-	(417,026)
Interest paid: revenue bonds/lease purchase/advances	(16,934)	-	(16,934)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,129,000)</b>	<b>-</b>	<b>(1,129,000)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	-	-	-
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in pooled cash</b>	<b>(1,803,822)</b>	<b>(11,837)</b>	<b>(1,815,659)</b>
Pooled cash and investments, beginning of year	4,843,497	13,346	4,856,843
<b>Pooled cash and investments, end of year</b>	<b>\$ 3,039,675</b>	<b>1,509</b>	<b>3,041,184</b>
Cash and cash equivalents	2,356,561	1,509	2,358,070
Restricted cash	683,114	-	683,114
<b>Total cash</b>	<b>\$ 3,039,675</b>	<b>1,509</b>	<b>3,041,184</b>
<b>Non Cash Transactions:</b>			
Capital assets transferred in/(out)	\$ -	(467,150)	(467,150)

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (CONTINUED)**  
**Year Ended June 30, 2017**

	Utilities	Nonmajor Proprietary Funds	Total
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 2,074,777	(645,139)	1,429,638
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	315,011	20,107	335,118
Net pension related adjustments	(54,816)	10,313	(44,503)
Change in assets and liabilities			
(Increase) decrease in assets:			
Accounts receivable	11,135	(26,128)	(14,993)
Increase (decrease) in liabilities:			
Accounts and contracts payable	(243,621)	(2,471)	(246,092)
Wages payable	12,091	13,319	25,410
Compensated absences	2,512	7,938	10,450
Tenant deposits/utility deposits	1,735	-	1,735
<b>Total adjustments</b>	<b>44,048</b>	<b>62,157</b>	<b>106,205</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,118,825</b>	<b>(582,982)</b>	<b>1,535,843</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2017**

**ASSETS**

Cash, certificates of deposit and investments \$ 26,828

**Total assets** \$ 26,828

**LIABILITIES**

Due to others \$ 26,828

**Total liabilities** \$ 26,828

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The municipality was originally incorporated in the year 1941 as the Town of Grants. On October 20, 1966, an ordinance was adopted pursuant to Section 14-1-3, New Mexico Statutes, 1952 Annotated, as amended proclaiming the Town as City of Grants (the "City") effective December 1, 1966. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public Safety - (Police, Fire, and Emergency Ambulance), Highways and Streets, Sanitation, Health and Social Services, Culture-Recreation, Water and Sewer Facilities, Housing, Public Improvements, Planning and Zoning, and General Administrative Services. The City operates the following enterprises: water, sewer, public housing, airport and a golf course.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. 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 City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to 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 City is able to exercise oversight responsibilities.

Based upon the application of these criteria, no component units were included in the financial statements.



**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

Government-Wide Statements — The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary fund activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. All assets, liabilities and deferred outflows and inflows of resources are included in the statement of net position. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements — The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**C. Financial Statement Presentation**

The financial transactions of the City are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements.

The financial reporting model sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or governmental and enterprise combined.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Financial Statement Presentation (Continued)**

*Governmental Fund Types.* All governmental fund types are accounted for on a spending or financial measurement focus. Only current assets and liabilities are generally included on their balance sheets. Their reported fund balance (net current position) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures. The following is a description of the Governmental Funds of the Board.

The City reports the general fund as a major governmental fund:

**General Fund.** The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major funds:

**General Government Improvements Fund.** Accounts for construction and improvements funds received from various sources for the improvement of City properties.

**Enterprise - Utilities Fund.** Accounts for the provision of water, sewer, and refuse services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operation, maintenance, financing and related debt service, and billing and collection.

**Fiduciary Funds.** Agency Funds are used to account for monies held by the City in a custodial capacity. They do not report operations or have a measurement focus.

**D. Measurement Focus and Basis of Accounting**

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements — the government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes and franchise taxes are recognized if they are collected within sixty days after year-end. These derived tax revenues are recognized when the underlying transaction takes place (when the retail sale is generated). Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**E. Budgets and Budgetary Accounting**

The City Council adopts an annual budget for the General, Special Revenue, Capital Projects, Enterprise, and Debt Service Funds, which are prepared by management and approved by the City Council and by the Local Government Division of the Department of Finance and Administration.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. The legal level of budgetary control for local governments is at the fund level. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balances be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore used in the calculation to determine the balance.

Actual expenditures may not exceed the budget on a fund basis, i.e. budgeted expenditures must be within budgeted amounts. Budgets may be amended in two ways. All budget transfers that will exceed a cumulative of five percent of a department's total budget require approval from the Local Governmental Division of the Department of Finance and Administration. Transfers that do not exceed the five percent limit require approval by the City Council. Resolutions for budget increases will only be approved in the event of an emergency.

The budgets for the Housing Authority follow HUD requirements in that certain programs are not budgeted (Vouchers program) and other program budgets are guidelines only and therefore, budgets are not amended.

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

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the City submits a proposed budget to the Local Government Division of the Department of Finance and Administration. The budget submitted has been approved by the City Council after presentation by the City Manager. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting (Continued)**

The Local Government Division, in relation to the City, shall:

- a. Examine each proposed budget, and on or before July 1 of each year, approve and certify to the City an operating budget for use pending approval of final budget.
- b. Hold public hearings on proposed budgets.
- c. Make such corrections, revisions, and amendments to proposed budgets as may be necessary to meet the requirements of law.
- d. Certify a final budget for the City prior to the first Monday in September of each year. Such budgets, when approved, shall be binding upon all tax officials of the State.
- e. Upon the approval of the Secretary of Finance and Administration, authorize the transfer of funds from one budget item to another budget item when such transfer is required or an emergency condition exists meriting such transfer and such transfer is not prohibited by law. In case of emergency necessitating the expenditures for item or items not provided for in the budget, upon approval of the Secretary of Finance and Administration, the budget may be revised to authorize such expenditures.
- f. With written approval of the Secretary of Finance and Administration and the Attorney General, increase the total budget of the City in the event the City undertakes an activity, service, project, or construction program which was not contemplated at the time the final budget was adopted and approved and which activity, service, project, or construction program will produce sufficient revenue to cover such increase in the budget or the City has surplus funds on hand not necessary to meet the expenditures provided for in the budget with which to cover such increase in the budget.
- g. Supervise the disbursement of funds to the end that expenditures will not be made in excess of budgeted items or for items not budgeted, and that there will not be illegal expenditures.
- h. Prescribe the form for all budgets, books, records, and accounts for the City.
- i. With the approval of the Secretary of Finance and Administration, make rules and regulations relating to budgets, records, reports, handling and disbursement of public funds, or in any manner relating to the financial affairs of the City.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council and the Local Government Division of the Department of Finance and Administration (DFA). Unexpended budget appropriations lapse at year-end.

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 Fund.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Cash Equivalents**

The City pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount.

For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**G. Investments**

The City's investments are regulated by state law, as well as by guidelines and rules promulgated by the State investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Additional cash, investment information, and fair values are presented in Note 2.

The City participates in the State Treasurer Local Government Investment Pool. This pool is regulated by state law and regulations. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

**H. Receivables and Payables**

Under generally accepted accounting principles the City would normally include property taxes receivable subsequent to sixty days after year-end as revenue and accounts receivable. Cibola County has been unable to determine this amount as of June 30, 2017 and therefore, this amount has not been recorded on the records of the City. The unrecorded revenue is not material to the financial statements as of June 30, 2017.

Accrued expenses are accrued payroll and payroll related liabilities (withheld taxes and deductions).

**I. Proprietary Fund Types**

Accounts receivable consists of charges to users for utility services provided, and for unpaid charges from customers of the golf course, and for rental assistance provided to citizens.

Management has determined that accounts receivable are fully collectible at June 30, 2017 with the exception of certain receivables from utility services provided to customers. Accordingly, a \$77,944 allowance for doubtful accounts has been recorded in the Joint Utility Enterprise Fund.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventory in the Utilities Fund consists of expendable supplies held for consumption.

**K. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. The City defines capital assets as assets with lives greater than one-year and a cost or donated value of \$5,000 or greater in accordance with New Mexico State Statutes.

Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets which consist primarily of roads and utilities, have been recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	10 — 50
Infrastructure	25 — 50
Buildings and improvements	30 — 50
Machinery and Equipment	3 — 15

The City has not capitalized library books as their net book value has been determined to be immaterial.

It is the policy of the City to capitalize interest for construction projects incurred through the proprietary funds.

**L. Property Taxes**

The City of Grants receives property taxes from the Cibola County Treasurer for operational purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year, with the levies becoming delinquent 30 days thereafter. The authorized municipal tax rate for general operating purposes is .004399 per \$1,000 of net taxable value of residential and .004555 for non-residential property allocated to the municipality. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. Currently, the City has no outstanding general obligation bonds.

**M. Compensated Absences**

The City allows employees to accrue annual leave based on years of service. Upon termination, accrued annual leave is paid in full. Employees are eligible to be paid half of their accrued sick leave up to 240 hours upon termination.

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Implementation of New Accounting Standards (Continued)**

- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.
- GASBS No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. Effective for reporting periods beginning after June 15, 2016, with earlier implementation encouraged. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has not yet implemented this standard.
- GASB 77, *Tax Abatement Disclosures*, this Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The City has implemented this standard for the fiscal year ending June 30, 2017 but currently is not impacted by any such agreements.

Subsequent accounting standards that the Board is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2018.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2018.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Net Position / Fund Balances (Continued)**

the legislation. Legal enforceability means that a government can be compelled by an external party — such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed:** Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

**Assigned:** Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

**Unassigned:** Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The classification of governmental fund balances is as follows:

	Major Funds			Total
	General Fund	Capital Projects Fund GGI	Other Funds	
<b>Restricted for:</b>				
Cemetery care	\$ -	-	127,980	127,980
Emergency medical services	-	-	257	257
Fire protection	-	-	18,026	18,026
Gasoline road tax	-	-	609,724	609,724
GRT street & parks improvement	-	-	1,513,736	1,513,736
Juvenile recreation	-	-	92,951	92,951
Law enforcement protection	-	-	13,705	13,705
Local government corrections	-	-	632	632
Lodgers' tax	-	-	280,413	280,413
Special library donation	-	-	20,361	20,361
Debt service	-	-	521,649	521,649
Subsequent year's expenditures	779,085	-	-	779,085



**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Net Position / Fund Balances (Continued)**

<b>Assigned to:</b>				
Retiree healthcare	7,842	-	-	7,842
<b>Unassigned:</b>				
Cibola Senior Citizens	-	-	(39,252)	(39,252)
Foster grandparents	-	-	(43,956)	(43,956)
Litter control and beautiful	-	-	(2,583)	(2,583)
Lodgers' tax promotional	-	-	(153,994)	(153,994)
Senior companion program	-	-	(55,064)	(55,064)
Senior employment program	-	-	(15,884)	(15,884)
Other	7,708,701	(4,437,613)	-	2,800,273
<b>Total net position</b>	<u>\$ 8,495,628</u>	<u>(4,437,613)</u>	<u>2,888,701</u>	<u>6,946,716</u>

According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the City is required to reserve 1/12th of the General Fund's budgeted expenditures for subsequent year expenditures as a reserve requirement. These balances are reported as restricted to subsequent year's expenditures in the General Fund. Reserves can be spent during the course of the fiscal year as long as they are replenished by fiscal year-end.

**O. Pensions**

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

**P. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Q. Implementation of New Accounting Standards**

During fiscal year 2017, the Board adopted the following GASB Statements:

GASB 72, *Fair Value Measurement and Application*, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Implementation of New Accounting Standards (Continued)**

- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.
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Subsequent accounting standards that the Board is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2018.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2018.

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2. CASH AND INVESTMENTS**

The City's cash balances are reserved from subsequent years and consist of demand deposits, certificates of deposit, and short-term investment funds. The certificates of deposit have varying interest rates and maturity dates. The majority of the City's cash and investments are co-mingled. All interest income is accounted for in the related funds.

The City's investments are governed by state law. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

The City's investment in the Local Government Investment Pool (LGIP) was not rated, although the securities within the pool are rated.

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 1A and E, NMSA 1978.
- c. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested; and
- d. Participation in the local government investment pool is voluntary.
- e. Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

*Concentration of Credit Risk* — Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policies place no limit on the amount the City may invest in any one issuer.

*Credit Risk*— The City's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10FNMSA 1978, 6-10-10NMSA 1978. With respect to credit risk, the LGIP is rated AAAM by Standard & Poor's. Therefore the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

*Interest Rate Risk* — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City investments. The City's investment policy follows New Mexico State Statute Section 6-1 0-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rate fixed 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. The LGIP's weighted average maturity (WAM) at June 30, 2017 was 44 days WAM(R); 77 days WAM(F).

*Foreign Currency Risk* - The City is not exposed to the risk that changes in exchange rates will adversely affect the fair value of an investment as none of the investments pools nor certificates of deposit are dominated in a foreign currency.

*Custodial Credit Risk* - 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, the government's bank balances of \$13,359,992 were over collateralized as follows:

Deposits at June 30, 2017	\$ 7,951,771
Less: FDIC or NCUSIF coverage	\$ 750,000
Uninsured public funds	<u>7,201,771</u>
50% pledged collateral requirement per statute	\$ 3,600,886
Total pledged collateral	<u>\$ 7,726,562</u>
Pledged collateral (over) under the requirement	<u>\$ (4,125,677)</u>

Funds held and directed by trustee in relation to debt service agreements totaling \$425,788 are monitored for collateral by the trustee.

**NOTE 3. ACCOUNTS RECEIVABLE**

**Proprietary funds**

Accounts receivable in the Utility fund represents billings for refuse, waste water and water fees, and for uncollected rents. It is management's policy to disconnect water service for non-payments. Accounts receivable in the Golf course consists of credit card payments processed, but not yet received. Accounts receivable for the Housing Authority consists of unpaid tenant charges for rent.

Accounts receivable is comprised of the following at June 30, 2017:

	Utility	Golf Course	Airport
Accounts receivable	\$ 555,367	57,725	-
Grant and other receivables	-	-	-
Allowance for uncollectible accounts	<u>(79,944)</u>	-	-
Accounts receivable, net	<u>\$ 475,423</u>	<u>57,725</u>	-

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3. ACCOUNTS RECEIVABLE (CONTINUED)**

**Governmental funds**

	General Fund	Capital Fund	Nonmajor Funds
Accounts receivable	\$ 545,797	-	61,569
Grant and other receivables	-	145,203	-
	<u>545,797</u>	<u>145,203</u>	<u>61,569</u>
Accounts receivable, net	\$ <u>545,797</u>	<u>145,203</u>	<u>61,569</u>

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the City's primary government for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Additions	Deletions	Transfers	Balance 6/30/2017
<b>Governmental Activities:</b>					
<b>Capital Assets:</b>					
Non-Depreciable					
Art	\$ 122,897	-	-	-	122,897
Land	3,453,636	-	-	-	3,453,636
Construction in Progress	7,939,314	6,280,861	-	(6,375,988)	7,844,187
Depreciable:					
Buildings	12,295,041	23,166	-	-	12,318,207
Land improvements	6,375,309	-	-	-	6,375,309
Machinery & equipment	7,991,496	432,421	-	-	8,423,917
Infrastructure	26,915,030	6,375,988	-	-	33,291,018
<b>Total</b>	<u>\$ 65,092,723</u>	<u>13,112,436</u>		<u>(6,375,988)</u>	<u>71,829,171</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	\$ (4,843,657)	(274,703)	-	-	(5,118,360)
Land improvements	(1,940,329)	(171,831)	-	-	(2,112,160)
Machinery & equipment	(6,342,644)	(420,422)	-	-	(6,763,066)
Infrastructure	(6,640,033)	(786,823)	-	-	(7,426,856)
Total Accumulated Depreciation	<u>\$ (19,766,663)</u>	<u>(1,653,779)</u>	<u>-</u>	<u>-</u>	<u>(21,420,442)</u>
<b>Net Capital Assets</b>	<u>\$ 45,326,060</u>	<u>11,458,657</u>	<u>-</u>	<u>(6,375,988)</u>	<u>50,408,729</u>

Depreciation expense for governmental activities is \$1,653,779 for the year ended June 30, 2017.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the City's business-type activities for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Additions	Capital Transfers	Deletions	Transfers	Balance 6/30/2017
<b>Business-type Activities:</b>						
<b>Capital Assets:</b>						
Non-Depreciable						
Land	\$ 2,309,374	-	-	(46,724)	-	2,262,650
Construction in Progress	1,125,166	-	-	-	(128,906)	996,260
Idle assets	392,602	-	-	-	-	392,602
Water rights	125,612	-	-	-	-	125,612
Depreciable:						
Buildings	2,066,561	-	-	(1,127,771)	-	938,790
Land improvements	4,099,697	686,676	-	-	-	4,786,373
Machinery & equipment	3,396,280	-	-	(21,221)	-	3,375,059
Infrastructure	28,127,347	128,906	-	-	-	28,256,254
<b>Total</b>	<u>\$ 41,642,639</u>	<u>815,582</u>	<u>-</u>	<u>(1,195,716)</u>	<u>(128,906)</u>	<u>41,133,600</u>
<b>Less Accumulated Depreciation:</b>						
Buildings	\$ (1,148,582)	(13,777)	-	685,500	-	(476,859)
Land improvements	(1,051,524)	(129,282)	-	28,159	-	(1,152,647)
Machinery & equipment	(2,951,114)	(83,600)	-	53,020	-	(2,981,694)
Infrastructure	(19,187,031)	(108,459)	-	-	-	(19,295,490)
Total Accumulated Depreciation	<u>\$(24,338,251)</u>	<u>(335,118)</u>	<u>-</u>	<u>766,679</u>	<u>-</u>	<u>(23,906,690)</u>
<b>Net Capital Assets</b>	<u>\$ 17,304,388</u>	<u>480,464</u>	<u>-</u>	<u>(429,037)</u>	<u>-</u>	<u>17,226,910</u>

Depreciation expense for business-type activities is \$335,118 for the year ended June 30, 2017.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business - Type Activities
General Government	\$ 583,444	-
Public Safety	204,787	-
Health and Welfare	78,726	-
Public works	786,822	-
Water	-	137,398
Sewer	-	177,613
Golf	-	20,107
<b>Total</b>	<u>\$ 1,653,779</u>	<u>335,118</u>

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES**

The following summarized the changes for governmental activities during 2017:

	Balance 06/30/2016	Additions	Reductions	Balance 06/30/2017	Amount Due within One Year
NMFA - museum	\$ 186,055	-	60,194	125,861	60,350
NMFA – fire truck	160,549	-	53,106	107,443	53,452
NMFA – street sweeper	41,242	-	41,242	-	-
Compensated absences	<u>327,884</u>	<u>320,665</u>	<u>307,053</u>	<u>341,486</u>	<u>281,981</u>
<b>Total</b>	<b>\$ <u>715,730</u></b>	<b><u>320,665</u></b>	<b><u>461,595</u></b>	<b><u>574,790</u></b>	<b><u>395,783</u></b>

Bonds and notes payable have been and are liquidated by gross receipts tax revenues. Accrued compensated absences have been liquidated in the past by the fund to which the employees are assigned.

Total interest expense associated with governmental debt listed above was \$11,626 for the year ended June 30, 2017.

Notes outstanding in governmental funds consist of the following:

Purpose: Construction of building to be leased for use as museum  
Date of Issue: December 1, 1998  
Original Issue: \$844,445  
Principal: May 1  
Interest: November 1 and May 1  
Rate: 3.150% - 5.150%  
Pledged revenues: Gross receipts tax intercept  
Amortized as follows:

Year Ended June 30,	Principal	Interest	Total
2018	60,350	6,210	66,560
2019	<u>65,511</u>	<u>3,241</u>	<u>68,752</u>
<b>Totals</b>	<b>\$ <u>125,861</u></b>	<b><u>9,451</u></b>	<b><u>135,312</u></b>

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)**

Purpose: Purchase of fire truck  
 Date of Issue: March 7, 2014  
 Original Issue: \$265,831  
 Principal: May 1  
 Interest: November 1 and May 1  
 Rate: 9.366%  
 Pledged revenues: Annual fire protection allotment  
 Amortized as follows:

Year Ended June 30,	Principal	Interest	Total
2018	53,452	1,290	54,742
2019	53,991	750	54,741
<b>Totals</b>	<u>\$ 107,443</u>	<u>2,040</u>	<u>109,483</u>

The annual principal payment requirement of debt outstanding as of June 30, 2017, in governmental activities, are summarized as follows:

Year Ended June 30,	Principal Payment	Interest	Total
2018	125,861	9,451	135,312
2019	107,443	2,040	109,483
Compensated absences	341,486	-	341,486
<b>Totals</b>	<u>\$ 574,790</u>	<u>11,491</u>	<u>586,281</u>

The following summarizes the changes in the business-type activities during 2017:

	Balance 06/30/2016	Additions	Reductions	Balance 06/30/2017	Amount Due within One Year
NMED – WW Facility	\$ 793,477	-	392,810	400,667	400,667
Revenue bonds	425,566	-	24,215	401,350	24,276
Compensated absences	84,323	58,999	51,832	91,490	72,277
<b>Total</b>	<u>\$ 1,303,366</u>	<u>58,999</u>	<u>468,857</u>	<u>893,507</u>	<u>497,220</u>

Total interest expense associated with business-type debt listed above was \$16,934 for the year ended June 30, 2017, which was related to the Utility fund.



**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)**

Notes outstanding reported in proprietary funds at June 30, 2017 consist of the following:

**New Mexico Environment Department Loan**

Purpose: Construction and acquisition of equipment for waste water treatment plant  
Original Issue: \$6,600,000  
Principal: August 15  
Interest: August 15  
Rate: 3.00%  
Pledged revenues: Net revenues of the City’s water and wastewater utility system  
Amortized as follows:

Maturity	Principal	Interest	Total
2018	\$ 400,667	8,013	408,680
<b>Totals</b>	<u>\$ 400,667</u>	<u>8,013</u>	<u>408,680</u>

**New Mexico Finance Authority – 194 WTB**

Purpose: Construction of water system improvements along Nimitz Drive  
Original Issue: \$168,438  
Principal: June 1  
Interest: December 1 and June 1  
Rate: Zero plus .25% administrative fee  
Pledged revenues: Net revenues of the City’s water and wastewater utility system  
Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee) Interest	Total
2018	\$ 8,348	297	8,645
2019	8,369	276	8,645
2020	8,390	255	8,645
2021-2025	42,265	960	43,225
2026-2030	42,794	429	43,223
2031	8,621	22	8,643
<b>Totals</b>	<u>\$ 118,787</u>	<u>2,239</u>	<u>121,026</u>

**New Mexico Finance Authority – 154 WTB**

Purpose: Construction of water system improvements – First Street, Second Street, and Roosevelt Street  
Original Issue: \$40,000  
Principal: June 1  
Interest: December 1 and June 1  
Rate: Zero plus .25% administrative fee  
Pledged revenues: Net revenues of the City’s water and wastewater utility system

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)**

Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee) Interest	Total
2018	\$ 1,987	66	2,053
2019	1,992	60	2,052
2020	1,997	56	2,053
2021-2025	10,060	203	10,263
2026-2030	10,190	77	10,267
<b>Totals</b>	<u>\$ 26,226</u>	<u>462</u>	<u>26,688</u>

New Mexico Finance Authority – 315 WTB

Purpose: Flood prevention project

Original Issue: \$280,000

Principal: June 1

Interest: December 1 and June 1

Rate: Zero plus .25% administrative fee

Pledged revenues: Net revenues of the City’s water and wastewater utility system

Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee) Interest	Total
2018	\$ 13,941	641	14,582
2019	13,976	606	14,582
2020	14,010	571	14,581
2021-2025	70,579	2,328	72,907
2026-2030	71,467	1,441	72,908
2031-2035	72,364	544	72,908
<b>Totals</b>	<u>\$ 256,337</u>	<u>6,131</u>	<u>262,468</u>

**NOTE 6. INTERFUND TRANSACTIONS**

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6. INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2017 is as follows:

	Due from Receivable	Due to Payable
Governmental Funds		
Major Funds		
General Fund	\$ 2,105,942	2,427,583
General Government Improvements Fund	-	2,258,438
Non-major Funds		
Foster Grandparents	-	4,000
Senior Companion Program	-	4,600
Senior Employment Program	-	3,000
Business Type Funds		
Utility	9,947,036	7,355,357
<b>Total</b>	<u>\$ 12,052,978</u>	<u>12,052,978</u>

Balances resulted from loans made to cover operating cash deficits.

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

The composition of interfund transfers as of June 30, 2017 is as follows:

	Operating Transfer In	Operating Transfer Out
Governmental Funds		
Major Funds		
General Fund	\$ -	3,394,306
General Government Improvements Fund	2,790,000	-
Non-major Funds		
Cibola Senior Citizens	244,500	-
Fire Protection	-	54,742
Gasoline Road Tax	-	34,682
Local Government Corrections	190,000	-
Lodgers Tax	-	85,500
Lodgers Tax Promotional	85,500	-
NMFA Loan – Debt Service Fund	159,230	-
Business Type Funds		
Utility	-	355,000
Golf Course	355,000	-
Airport	100,000	-
<b>Total</b>	<u>\$ 3,924,230</u>	<u>3,924,230</u>

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

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

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

**Contributions.** The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect as of July 1, 2016 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the FY 16 PERA Schedules of Employer Allocations and Pension Amounts at [www.nmpera.org](http://www.nmpera.org). The PERA coverage options that apply to the City are: the Municipal General Division Plan 2, the Municipal Police Division Plan 3, and the Municipal Fire Division Plan 2.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

*Employer Pickup.* During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No.82, *Pension Issues*, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB (Governmental Accounting Standards Board) Statement No. 67. Statutorily required contributions to the pension plan from the Village were \$462,874 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017. See PERA's comprehensive annual financial report for contribution provided description.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For the Municipal General Division, at June 30, 2017, the City reported a liability of \$4,320,082 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.2704%, which was a .0225% increase from its proportion of 0.2479% measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized Municipal General Division pension expense of \$300,206. At June 30, 2017, the City reported Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 215,849	42,162
Changes of assumptions	253,322	718
Net difference between projected and actual earnings on pension plan investments	794,887	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	287,681	-
City contributions subsequent to the measurement date	239,990	-
<b>Total</b>	<u>\$ 1,791,729</u>	<u>42,880</u>

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$239,990 reported as deferred outflows of resources related to pensions resulting from City 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	\$	373,095
2019		373,095
2020		556,366
2021		206,303
2022		-

For the Municipal Police Division, at June 30, 2017, the City reported a liability of \$3,053,139 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.4138%, which was an increase of 0.0279% percent from its proportion of 0.3859% measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized Municipal Police Division pension expense of \$311,205. At June 30, 2017, the City reported Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 224,144	-
Changes of assumptions	202,223	55,063
Net difference between projected and actual earnings on pension plan investments	482,872	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	278,798	-
City contributions subsequent to the measurement date	<u>147,970</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,336,007</u></b>	<b><u>55,063</u></b>

\$147,970 reported as deferred outflows of resources related to pensions resulting from City 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	\$	316,588
2019		316,588
2020		373,385
2021		126,413
2022		-

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

For the Municipal Fire Division, at June 30, 2017, the City reported a liability of \$2,018,650 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.3026%, which is an increase by 0.0299% from its proportion of 0.2727% measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized Municipal Fire Division pension expense of \$225,874. At June 30, 2017, the City reported Municipal Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 91,414	-
Changes of assumption	106,779	-
Net difference between projected and actual earnings on pension plan investments	168,143	-
Changes in proportion and differences between employer Contributions and proportionate share of contributions	122,794	-
City contributions subsequent to the measurement date	<u>74,914</u>	-
<b>Total</b>	<u><u>\$ 564,044</u></u>	-

\$74,914 reported as deferred outflows of resources related to pensions resulting from City 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	\$ 142,844
2019	142,844
2020	156,698
2021	46,744
2022	-

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

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

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



**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

<b>ALL FUNDS - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.50 %	7.39 %
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	<u>100.00 %</u>	

**Discount rate:** A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016 which was a decrease of 0.27% from the discount rate used as of June 30, 2015. 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 City's proportionate share of the net pension liability to changes in the discount rate.***

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

	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
<b>Municipal General Division:</b>			
City's proportionate share of the net pension liability	\$ 6,440,859	4,320,082	2,561,004
<b>Municipal Police Division:</b>			
City's proportionate share of the net pension liability	\$ 4,491,926	3,053,139	1,876,380
<b>Municipal Fire Division:</b>			
City's proportionate share of the net pension liability	\$ 2,640,383	2,018,650	1,507,960

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued PERA financial report available at [www.nmpera.org](http://www.nmpera.org).

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

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8. POST-EMPLOYMENT BENEFITS**

**State retiree health care plan**

The City of Grants has chosen not to participate in State Retiree Health Care Plan.

**City of Grants retiree health insurance**

**A. Plan Description and-Funding Policy**

**Plan Description**

The plan provides for health insurance for employees who retire from the City with at least 25 years of City service. Those eligible retirees receive an employer contribution of a fixed percentage (currently 85%) of the premium amount for pre-65 retiree coverage under the plan.

**1. Plan Name**

City of Grants Retiree Health Insurance Trust Fund

**2. Plan Type**

The Plan is an agent multiple-employer defined benefit OPEB plan.

**3. Contributions and Reserves**

- a. The authority under which the obligations of the plan participants and employer are established and may be amended is possessed by the City.
- b. The employer and participant contribution rates are determined annually by the City based on the recommendations of the staff and consulting actuary.
- c. The plan is operated on a pay-as-you-go basis as of June 30, 2014.

**4. Other Reporting**

Because the OPEB plan described herein is not administered through a trust (as of June 30, 2011) as defined under Paragraph No.4 of GASB No. 43, GASB No. 43 accounting is not required for this plan for the fiscal year ending June 30, 2011 or thereafter.

**B. Current Year Annual OPEB Cost, Employer Contributions and Net OPEB Obligation**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Interest on Net OPEB Obligation	Adjustment to the ARC	Annual OPEB Cost {(1)+(2)-(3)}	Employer Contributions	Increase (Decrease) in Net OPEB Obligation {(4)-(5)}	Net OPEB Obligation at Beginning of Year	Net OPEB Obligation at End of Year {(6)+(7)}
ARC	\$0	\$0	\$150,758	\$0	\$122,664	\$840,564	\$963,228

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)**

**C. Three-year History of Annual OPEB Cost and Net OPEB Obligation**

(1)	(2)	(3)	(4)	(5)
Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed {(3)/(2)}	Net OPEB Obligation at End of Year
6/30/2015	\$150,758	\$0	0%	\$689,806
6/30/2016	\$150,758	\$0	0%	\$840,564
6/30/2017	\$122,664	\$0	0%	\$963,228

**D. Fund Status of the Plan as of Current Valuation Date**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {(3)-(2)}	Funded Ratio {(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {(4)/(6)}
7/1/2010	\$7,842	\$1,113,491	\$1,105,649	0.70%	\$4,032,110	27.42%

**E. Disclosure of Information about Actuarial Methods and Assumption**

1. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.
2. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.
3. GASB No. 45 calculations are based on the types of benefits provided under the terms of the substantive plan at the time-of each valuation and on the pattern of sharing of costs between the employer and plan participants to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan participants in the future.
4. Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the amounts in this report include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.
5. The information presented in the required supplementary schedules was determined as part of the actuarial valuation using the actuarial methods and assumptions summarized below. The City has chosen to have an actuarial valuation every three years.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)**

Summary of Actuarial Methods and Assumption	
Actuarial cost method	Project Unit Credit
Asset valuation method	Market
Actuarial assumption:	
Annual investment return assumption (discount rate)	4.00%
Project annual salary increases	N/A
Weighted-average at valuation date	N/A
Annual Healthcare Trend Rates	8.5% in FYE 2011 Declining to 6.00% in FYE 2016
Amortization method	Level dollar
Amortization period	30 year open period

1. Includes inflation assumption of 4.00%
2. Annual Healthcare Trend Rates for dental and vision benefits are 6.00% in all years.

The City has elected to terminate the plan effective July 1, 2014. The retired employees receiving benefits at that date will continue to receive benefits until they reach Medicare eligibility age.

**NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Accounting principles generally accepted in the United States of America require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

**Deficit Fund Balance (or fund net position) of individual funds:**

General Government Improvements	(\$4,437,613)
Senior Employment Program	(\$39,252)
Foster Grand Parents	(\$43,956)
Litter Control and Beautification	(\$2,583)
Lodgers' Tax	(\$153,994)
Senior Companion Program	(\$55,064)
Golf Course	(\$357,087)
Senior Employment Program	<u>(\$15,884)</u>
	<u><b>(\$5,105,433)</b></u>

The deficit will be funded by future funding and general fund transfers.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The City participants in the New Mexico Self-Insurers' Fund (the "Fund"). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund's membership, obtain lower costs for insurance coverage, and develop a comprehensive loss control program. The City pays an annual premium to the Fund for its workers' compensation liability, general liability, auto liability, auto physical damage, and property coverage. The City's agreement with the Fund provides that the Fund will be self-sustaining through member premiums, and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member cities.

The City paid premiums of \$414,812 for the year ended June 30, 2017.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources.

Surety bonds are in force per the following schedule:

Insurance Company	Type of Bond	Coverage From - To	Coverage Limits
Western Surety	Blanket Position	10/01/16-10/1/17	\$10,000 each on 45 positions including
		10/01/16-09/30/17	Cashiers, Mayor, Councilmen, City Manager, Judge, various Directors, Secretaries, Clerks, etc.
Western Surety	NM PE Position	08/25/2016-8/24/17	City Manager - \$50,000
		08/25/16-08/24/17	Municipal Judge - \$50,000
Commerce Inc.	Airport Premises	07/01/2017-6/30/18	\$1,000,000 each occurrence
	Legal Liability Medical Payments	7/01/15-06/30/2017	\$50,000 each A/C, \$100,000 each occurrence, \$2,500 ded \$1,000 each person
Market Finders	Golf Course	10/31/2017-10/31/18	\$2,000,00 aggregate
	Liquor Liability	10/31/2017-10/31/18	\$1,000,000 common cause

**CITY OF GRANTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

*Litigation.* The City is a party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurer’s Fund. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial position of the City.

*Grant Compliance.* The City receives significant financial assistance from the State and U.S. Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable state and federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. Management estimates that no material liabilities will result from such audits.

**NOTE 12. OPERATING LEASES**

The City of Grants has entered into eight operating leases for copiers and peripherals in various locations with varying monthly payment amounts as follows:

Description	Beginning	Ending	Estimated Expense in FY 2017
Ricoh Aficio	02/2012	01/2017	\$ 842
IBM	04/2012	03/2016*	9,703
Ricoh Aficio	08/2012	07/2017	3,055
Ricoh Aficio	11/2012	10/2017	2,684
Konica Minolta	08/2014	07/2018	1,644
Ricoh Aficio	06/2015	05/2019	3,243
Konica Minolta	02/2016	01/2022	550
Konica Minolta	02/2016	01/2022	2,625
Konica Minolta	03/2016	02/2022	664
			<u>\$ 25,010</u>

\*Continuing on a month to month lease after termination.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Principal Payment
2018	\$ 14,499
2019	12,721
2020	9,612
2021	9,612
2022	5,773
<b>Totals</b>	<u>\$ 52,217</u>

All of the above leases contain provisions for termination in the event budgetary constraint prevent the City from meeting financial obligations under said leases.

**CITY OF GRANTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 13. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through July 27, 2018, the date the financial statements were available to be issued

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF GRANTS  
 RETIREE HEALTH CARE PLAN  
 SCHEDULE OF FUNDING PROGRESS  
 June 30, 2017**

	6/30/2015	6/30/2016	6/30/2017
<b>A. Schedule of Funding Progress</b>			
1 Actuarial Valuation Date	July 1, 2010	July 1, 2010	July 1, 2010
2 Actuarial Value of Assets	42,502	16,184	7,842
3 Actuarial Accrued Liability	1,113,491	1,113,491	1,113,491
4 Unfunded Actuarial Accrued Liability (3 - 2)	1,070,989	1,097,307	1,105,649
5 Funded Ratio (2/3)	3.82%	1.45%	0.70%
6 Annual Covered Payroll	2,879,712	3,353,114	3,594,162
7 Ratio of UAAL to Covered Payroll (4/6)	37.19%	32.73%	30.76%

**B. Significant Factors Affecting the Comparability of Amounts Reported**

Because this is the first actuarial valuation for the plan, there are no such factors to be identified. The City would have had their next valuation as of July 1, 2014 for the fiscal year end reporting period of June 30, 2015, however the City has elected to terminate the plan effective July 1, 2014. The retired employees receiving benefits at the date of termination will continue to receive benefits until they reach Medicare eligibility age.

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Public Employees Retirement Association (PERA) Plan**  
**For Last 10 Fiscal Years\***

Fiscal Year Measurement Date	June 30:		
	2017 2016	2016 2015	2015 2014
City's proportion of the net pension liability			
Municipal General Division	0.2704%	0.2479%	0.2287%
Municipal Police Division	0.4138%	0.3859%	0.3138%
Municipal Fire Division	0.3026%	0.2727%	0.2673%
City's proportionate share of the net pension liability			
Municipal General Division	\$ 4,320,082	2,527,555	1,784,105
Municipal Police Division	3,053,139	1,855,624	1,022,954
Municipal Fire Division	2,018,650	1,407,454	1,115,708
City's covered payroll			
Municipal General Division	\$ 2,168,827	1,892,660	1,525,927
Municipal Police Division	885,799	804,508	632,106
Municipal Fire Division	360,697	319,880	300,092
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll			
Municipal General Division	199.19%	133.55%	116.92%
Municipal Police Division	344.68%	230.65%	161.83%
Municipal Fire Division	559.65%	439.99%	371.79%
Plan fiduciary net position as a percentage of the total pension liability			
Municipal General Division	69.18%	76.99%	81.29%
Municipal Police Division	69.18%	76.99%	81.29%
Municipal Fire Division	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 Employer's name is not available prior to fiscal year 2015, the year the statement's requirements became effective

See Notes to Required Supplementary Information

**CITY OF GRANTS**  
**SCHEDULE OF CONTRIBUTIONS**  
**Last 10 Fiscal Years\***

	<b>June 30:</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution			
Municipal General Division	\$ 239,990	207,123	180,749
Municipal Police Division	147,970	167,416	152,052
Municipal Fire Division	74,914	78,091	69,254
Contributions in relation to the contractually required contribution			
Municipal General Division	\$ 239,990	207,123	180,749
Municipal Police Division	147,970	167,416	152,052
Municipal Fire Division	74,914	78,091	69,254
Contribution excess			
Municipal General Division	-	-	-
Municipal Police Division	-	-	-
Municipal Fire Division	-	-	-
City's covered payroll			
Municipal General Division	\$ 2,512,984	2,168,827	1,892,660
Municipal Police Division	782,910	885,799	804,508
Municipal Fire Division	346,023	360,697	319,880
Contributions as a percentage of covered-employee payroll			
Municipal General Division	9.55%	9.55%	9.55%
Municipal Police Division	18.90%	18.90%	18.90%
Municipal Fire Division	21.65%	21.65%	21.65%

\**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 Employer's name is not available prior to fiscal year 2015, the year the statement's requirements became effective

*See Notes to Required Supplementary Information*

**CITY OF GRANTS  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION For the Year Ended June 30, 2017**

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

*Changes of assumptions.* The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/>

**CITY OF GRANTS  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2017**

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts and major capital projects that are legally restricted to expenditures for specific purposes.

Cemetery Perpetual Care - To account for the portion of the sale of cemetery lots to be used for the perpetual care and maintenance of the City cemetery. Authorized by City resolution and NMSA 3-40-1.

Cibola Senior Citizens - To account for state and federal funding for senior programs authorized by federal regulations.

Emergency Medical Services - To account for the state funding for the acquisition of emergency medical equipment. Authority NMSA 24-10A-1.

Fire Protection - To account for the state funding and for the acquisition and maintenance of adequate fire protection facilities in the Grants-Milan area. Authority NMSA 59A-53-1.

Foster Grandparents Program - To account for state funding for senior citizens. Authorized by city resolution.

Gasoline Road Tax - To account for state funds for maintenance of roads. Authorized as a special revenue fund by City resolution and NMSA 7-1-6.9.

GRT Street & Parks Improvement - To account for gross receipts tax increment specifically earmarked for street and parks improvements authorized by City resolution.

Housing Authority Capital Funds Program - To account for federal funding made available by Housing and Urban Development (HUD) to Public Housing Authorities for their capital activities, including modernization and development of public housing. Financing is authorized by federal regulations.

Housing Authority Vouchers - To account for the Federal funding assistance payments and modernization provided by HUD, Section 8 grants used for housing rental of homes. Financing is authorized by federal regulations.

Juvenile Recreation - To account for the revenues generated by cigarette taxes, which are restricted to expenditures for recreational purposes. Authority NMSA 7-12-15.

Law Enforcement Protection - To account for the state funding for law enforcement, which is used to provide adequate police protection. Authority NMSA 29-13-3.

Litter Control and Beautification - To account for funding for cleanup and beautification from the State Highway Department. Authorized by City resolution and NMSA 67-16-14.

Local Government Corrections - To account for state grant monies received by the municipality for prisoner care. Authority NMSA 33-3-25.

Lodgers' Tax — To account for the collection and administration of the lodgers' tax which is imposed on overnight motel and motel accommodations. Authority NMSA 3-38-14.

Lodgers' Tax Promotional — To account for the expenditure of lodgers' tax funds, which are used to promote commerce and tourism. Authority NMSA 3-38-14.

Senior Companion Program — To account for provision of nutrition services, transportation, information, and referrals. Authorized by city resolution.

Senior Employment Program — To account for state funding for the employment of seniors. Authorized by City resolution.

Special Library Donation — To account for memorial donations and the purchase of books for the library. Authorized by City resolution.

State and Local (S & L) Narcotics Assistance Control Program — To account for the Federal funding for law enforcement activities against narcotics use and trafficking. Authorized enforcement by Federal regulations PL 99-570.

**SUPPLEMENTARY INFORMATION**

**CITY OF GRANTS**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2017**

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection
<b>ASSETS</b>				
Pooled cash and investments	\$ 127,980	-	257	18,026
Accounts receivable	-	-	-	-
Grant revenue receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 127,980</b>	<b>-</b>	<b>257</b>	<b>18,026</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	14,865	-	-
Bank overdraft	-	24,387	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>39,252</b>	<b>-</b>	<b>-</b>
Fund Balances:				
Restricted	127,980	-	257	18,026
Assigned	-	-	-	-
Unassigned	-	(39,252)	-	-
<b>Total fund balances</b>	<b>127,980</b>	<b>(39,252)</b>	<b>257</b>	<b>18,026</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 127,980</b>	<b>-</b>	<b>257</b>	<b>18,026</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
 COMBINING BALANCE SHEETS  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2017**

	Foster Grandparents	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program
<b>ASSETS</b>				
Pooled cash and investments	\$ -	588,431	1,513,736	-
Accounts receivable	-	21,293	-	-
Grant revenue receivable	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>609,724</b>	<b>1,513,736</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Bank overdraft	39,956	-	-	-
Due to other funds	4,000	-	-	-
<b>Total liabilities</b>	<b>43,956</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances:				
Restricted	-	609,724	1,513,736	-
Assigned	-	-	-	-
Unassigned	(43,956)	-	-	-
<b>Total fund balances</b>	<b>(43,956)</b>	<b>609,724</b>	<b>1,513,736</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>609,724</b>	<b>1,513,736</b>	<b>-</b>

*The Notes to the Financial Statements are an intergral part of this statement.*



**CITY OF GRANTS  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2017**

	Housing Authority Vouchers	Juvenile Recreation	Law Enforcement Protection	Litter Control and Beautification
<b>ASSETS</b>				
Pooled cash and investments	\$ -	92,951	13,705	-
Accounts receivable	-	-	-	-
Grant revenue receivable	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>92,951</b>	<b>13,705</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Bank overdraft	-	-	-	2,583
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,583</b>
Fund Balances:				
Restricted	-	92,951	13,705	-
Assigned	-	-	-	-
Unassigned	-	-	-	(2,583)
<b>Total fund balances</b>	<b>-</b>	<b>92,951</b>	<b>13,705</b>	<b>(2,583)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>92,951</b>	<b>13,705</b>	<b>-</b>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**CITY OF GRANTS**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2017**

	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional	Senior Companion Program
<b>ASSETS</b>				
Pooled cash and investments	\$ 632	240,137	-	-
Accounts receivable	-	40,276	-	-
Grant revenue receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 632</b>	<b>280,413</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Bank overdraft	-	-	153,994	50,464
Due to other funds	-	-	-	4,600
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>153,994</b>	<b>55,064</b>
Fund Balances:				
Restricted	632	280,413	-	-
Assigned	-	-	-	-
Unassigned	-	-	(153,994)	(55,064)
<b>Total fund balances</b>	<b>632</b>	<b>280,413</b>	<b>(153,994)</b>	<b>(55,064)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 632</b>	<b>280,413</b>	<b>-</b>	<b>-</b>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**CITY OF GRANTS  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2017**

	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
<b>ASSETS</b>				
Pooled cash and investments	\$ -	20,361	-	2,616,216
Accounts receivable	-	-	-	61,569
Grant revenue receivable	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>20,361</b>	<b>-</b>	<b>2,677,785</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	1,065	-	-	15,930
Bank overdraft	11,819	-	-	283,203
Due to other funds	3,000	-	-	11,600
<b>Total liabilities</b>	<b>15,884</b>	<b>-</b>	<b>-</b>	<b>310,733</b>
Fund Balances:				
Restricted	-	20,361	-	2,677,785
Assigned	-	-	-	-
Unassigned	(15,884)	-	-	(310,733)
<b>Total fund balances</b>	<b>(15,884)</b>	<b>20,361</b>	<b>-</b>	<b>2,367,052</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>20,361</b>	<b>-</b>	<b>2,677,785</b>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**CITY OF GRANTS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**Year Ended June 30, 2017**

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection
<b>REVENUES</b>				
Intergovernmental - federal	\$ -	47,193	-	-
Intergovernmental - state	-	85,071	9,482	250,899
Intergovernmental - other	-	32,400	-	-
State shared taxes and municipal taxes	-	-	-	-
Lodgers' tax	-	-	-	-
Fees, service charges, and rental revenue	-	20,441	-	-
Investment income	-	-	-	-
Sales of property	12,960	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>12,960</b>	<b>185,105</b>	<b>9,482</b>	<b>250,899</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	9,888	145,928
Public works	-	-	-	-
Health and welfare	8,406	492,963	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	36,924
<b>Total expenditures</b>	<b>8,406</b>	<b>492,963</b>	<b>9,888</b>	<b>182,852</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,554</b>	<b>(307,858)</b>	<b>(406)</b>	<b>68,047</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	244,500	-	-
Operating transfers out	-	-	-	(54,742)
Capital transfer out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>244,500</b>	<b>-</b>	<b>(54,742)</b>
<b>Net changes in fund balances</b>	<b>4,554</b>	<b>(63,358)</b>	<b>(406)</b>	<b>13,305</b>
Fund balance, beginning of year	123,426	24,106	663	4,721
<b>Fund balances (deficit), end of year</b>	<b>\$ 127,980</b>	<b>(39,252)</b>	<b>257</b>	<b>18,026</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Year Ended June 30, 2017**

	Foster Grandparents	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program
<b>REVENUES</b>				
Intergovernmental - federal	\$ -	-	-	-
Intergovernmental - state	6,809	-	-	-
Intergovernmental - other	-	-	-	-
State shared taxes and municipal taxes	-	126,463	-	-
Lodgers' tax	-	-	-	-
Fees, service charges, and rental revenue	-	-	-	-
Investment income	-	-	-	-
Sales of property	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>6,809</b>	<b>126,463</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	59,469	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	203,031	-
<b>Total expenditures</b>	<b>59,469</b>	<b>-</b>	<b>203,031</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(52,660)</b>	<b>126,463</b>	<b>(203,031)</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	(34,682)	-	-
Capital transfer out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(34,682)</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>(52,660)</b>	<b>91,781</b>	<b>(203,031)</b>	<b>-</b>
Fund balance, beginning of year	8,704	517,943	1,716,767	-
<b>Fund balances (deficit), end of year</b>	<b>\$ (43,956)</b>	<b>609,724</b>	<b>1,513,736</b>	<b>-</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**Year Ended June 30, 2017**

	Housing Authority Vouchers	Juvenile Recreation	Law Enforcement Protection	Litter Control and Beautification
<b>REVENUES</b>				
Intergovernmental - federal	\$ -	-	-	-
Intergovernmental - state	-	-	31,400	-
Intergovernmental - other	-	-	-	-
State shared taxes and municipal taxes	-	-	-	-
Lodgers' tax	-	-	-	-
Fees, service charges, and rental revenue	-	-	-	-
Investment income	-	-	-	-
Sales of property	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	2,000
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>31,400</b>	<b>2,000</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	21,150	-
Public works	-	-	-	-
Health and welfare	-	-	-	4,605
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>21,150</b>	<b>4,605</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>10,250</b>	<b>(2,605)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Capital transfer out	(19,370)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(19,370)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>(19,370)</b>	<b>-</b>	<b>10,250</b>	<b>(2,605)</b>
Fund balance, beginning of year	19,370	92,951	3,455	22
<b>Fund balances (deficit), end of year</b>	<b>\$ -</b>	<b>92,951</b>	<b>13,705</b>	<b>(2,583)</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Year Ended June 30, 2017**

	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional	Senior Companion Program
<b>REVENUES</b>				
Intergovernmental - federal	\$ -	-	-	-
Intergovernmental - state	-	-	-	17,850
Intergovernmental - other	-	-	-	-
State shared taxes and municipal taxes	-	-	-	-
Lodgers' tax	-	340,780	-	-
Fees, service charges, and rental revenue	34,010	-	-	-
Investment income	-	-	-	-
Sales of property	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>34,010</b>	<b>340,780</b>	<b>-</b>	<b>17,850</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	39,956	-	-
Public safety	261,606	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	79,755
Culture and recreation	-	-	308,487	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>261,606</b>	<b>39,956</b>	<b>308,487</b>	<b>79,755</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(227,596)</b>	<b>300,824</b>	<b>(308,487)</b>	<b>(61,905)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	190,000	-	85,500	-
Operating transfers out	-	(85,500)	-	-
Capital transfer out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>190,000</b>	<b>(85,500)</b>	<b>85,500</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>(37,596)</b>	<b>215,324</b>	<b>(222,987)</b>	<b>(61,905)</b>
Fund balance, beginning of year	38,228	65,089	68,993	6,841
<b>Fund balances (deficit), end of year</b>	<b>\$ 632</b>	<b>280,413</b>	<b>(153,994)</b>	<b>(55,064)</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**

**NONMAJOR SPECIAL REVENUE FUNDS**

**Year Ended June 30, 2017**

	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
<b>REVENUES</b>				
Intergovernmental - federal	\$ -	-	-	47,193
Intergovernmental - state	13,553	-	-	415,064
Intergovernmental - other	-	-	-	32,400
State shared taxes and municipal taxes	-	-	-	126,463
Lodgers' tax	-	-	-	340,780
Fees, service charges, and rental revenue	-	-	-	54,451
Investment income	-	-	-	-
Sales of property	-	-	-	12,960
Donations	-	627	-	627
Miscellaneous	-	-	-	2,000
<b>Total revenues</b>	<b>13,553</b>	<b>627</b>	<b>-</b>	<b>1,031,938</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	39,956
Public safety	-	-	-	438,572
Public works	-	-	-	-
Health and welfare	26,921	-	-	672,119
Culture and recreation	-	76	-	308,563
Capital outlay	-	-	-	239,955
<b>Total expenditures</b>	<b>26,921</b>	<b>76</b>	<b>-</b>	<b>1,699,165</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(13,368)</b>	<b>551</b>	<b>-</b>	<b>(667,227)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	-	520,000
Operating transfers out	-	-	-	(174,924)
Capital transfer out	-	-	-	(19,370)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>325,706</b>
<b>Net changes in fund balances</b>	<b>(13,368)</b>	<b>551</b>	<b>-</b>	<b>(341,521)</b>
Fund balance, beginning of year	(2,516)	19,810	-	2,708,573
<b>Fund balances (deficit), end of year</b>	<b>\$ (15,884)</b>	<b>20,361</b>	<b>-</b>	<b>2,367,052</b>

*The Notes to the Financial Statements are an integral part of this statement.*



**CITY OF GRANTS  
NONMAJOR DEBT SERVICE FUNDS  
JUNE 30, 2017**

**Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs.

GRT Revenue Bond Debt Service Fund 1993A - To accumulate funds for payment of refunding debt.

NMFA Loan - To accumulate funds for payment of loan to be paid from proceeds of a statewide gross receipts tax distributed by the New Mexico Taxation and Revenue Department.

NMFA Reserve - To accumulate funds for payment of loan to be paid from proceeds of gross receipts tax.

**CITY OF GRANTS  
 COMBINING BALANCE SHEETS  
 NONMAJOR DEBT SERVICE FUNDS  
 June 30, 2017**

	GRT Revenue Bond Debt Service	NMFA Loan	NMFA Reserve	Totals
<b>ASSETS</b>				
Pooled cash and investments	\$ 302,280	15	-	302,295
Cash held with trustee	-	134,972	84,382	219,354
<b>Total assets</b>	<b>\$ 302,280</b>	<b>134,987</b>	<b>84,382</b>	<b>521,649</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	\$ -	-	-	-
Fund Balances:				
Restricted	302,280	134,987	84,382	521,649
<b>Total fund balances</b>	<b>302,280</b>	<b>134,987</b>	<b>84,382</b>	<b>521,649</b>
<b>Total liabilities and fund balances</b>	<b>\$ 302,280</b>	<b>134,987</b>	<b>84,382</b>	<b>521,649</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
Year Ended June 30, 2017**

	GRT Revenue Bond Debt Service	NMFA Loan	NMFA Reserve	Totals
<b>REVENUES</b>				
Investment income	\$ -	1,722	186	1,908
<b>Total revenues</b>	<b>-</b>	<b>1,722</b>	<b>186</b>	<b>1,908</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal	-	154,542	-	154,542
Interest	-	11,000	-	11,000
Fees	-	626	-	626
<b>Total expenditures</b>	<b>-</b>	<b>166,168</b>	<b>-</b>	<b>166,168</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>(164,446)</b>	<b>186</b>	<b>(164,260)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	159,230	-	159,230
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>159,230</b>	<b>-</b>	<b>159,230</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>(5,216)</b>	<b>186</b>	<b>(5,030)</b>
Fund balance, beginning of year	302,280	140,203	84,196	526,679
<b>Fund balances, end of year</b>	<b>\$ 302,280</b>	<b>134,987</b>	<b>84,382</b>	<b>521,649</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**COMBINING BALANCE SHEET**  
**TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES**  
**June 30, 2017**

	Special Revenue	Debt Service	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 2,616,216	302,295	2,918,511
Cash held with trustee	-	219,354	219,354
Accounts receivable	61,569	-	61,569
Grant revenue receivable	-	-	-
<b>Total assets</b>	<b>\$ 2,677,785</b>	<b>521,649</b>	<b>3,199,434</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Accrued payroll	15,930	-	15,930
Bank overdraft	283,203	-	283,203
Due to other funds	11,600	-	11,600
<b>Total liabilities</b>	<b>310,733</b>	<b>-</b>	<b>310,733</b>
Fund Balances:			
Restricted	2,677,785	521,649	3,199,434
Assigned	-	-	-
Unassigned	(310,733)	-	(310,733)
<b>Total fund balances</b>	<b>2,367,052</b>	<b>521,649</b>	<b>2,888,701</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,677,785</b>	<b>521,649</b>	<b>3,199,434</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES**  
**Year Ended June 30, 2017**

	Special Revenue	Debt Service	Total
<b>REVENUES</b>			
Intergovernmental - federal	\$ 47,193	-	47,193
Intergovernmental - state	415,064	-	415,064
Intergovernmental - other	32,400	-	32,400
State shared and municipal taxes	126,463	-	126,463
Lodgers' tax	340,780	-	340,780
Fees	54,451	-	54,451
Investment income	-	1,908	1,908
Sales of property	12,960	-	12,960
Donations	627	-	627
Miscellaneous	2,000	-	2,000
<b>Total revenues</b>	<u>1,031,938</u>	<u>1,908</u>	<u>1,033,846</u>
<b>EXPENDITURES</b>			
Current:			
General government	39,956	-	39,956
Public safety	438,572	-	438,572
Public works	-	-	-
Health and welfare	672,119	-	672,119
Culture and recreation	308,563	-	308,563
Capital outlay	239,955	-	239,955
Debt service:			
Principal	-	154,542	154,542
Interest	-	11,000	11,000
Fees	-	626	626
<b>Total expenditures</b>	<u>1,699,165</u>	<u>166,168</u>	<u>1,865,333</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(667,227)</u>	<u>(164,260)</u>	<u>(831,487)</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	520,000	159,230	679,230
Capital transfer out	(19,370)	-	(19,370)
Operating transfers (out)	(174,924)	-	(174,924)
<b>Total other financing sources (uses)</b>	<u>325,706</u>	<u>159,230</u>	<u>484,936</u>
Net changes in fund balances	(341,521)	(5,030)	(346,551)
Fund balance, beginning of year, as previously stated	<u>2,708,573</u>	<u>526,679</u>	<u>3,235,252</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,367,052</u></u>	<u><u>521,649</u></u>	<u><u>2,888,701</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
CAPITAL PROJECTS FUNDS  
JUNE 30, 2017**

**Capital Projects Funds**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Government Improvements Fund – This fund is reported as a major fund.

**CITY OF GRANTS  
PROPRIETARY FUNDS  
JUNE 30, 2017**

**PROPRIETARY FUND TYPES**

**Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Golf Course Operating Fund - To account for the operation of the municipal golf course.

Utilities - To account for water, sewer, and refuse services to the residents of the City.

Airport – To account for the operation of the municipal airport.

**CITY OF GRANTS**  
**BALANCE SHEET**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2017**

	Golf Course	Housing Authority Low Rent	Airport	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ -	-	1,509	1,509
Accounts receivable - other	3,595	-	37,252	40,847
Accounts receivable - tenants (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
<b>Total current assets</b>	<b>3,595</b>	<b>-</b>	<b>38,761</b>	<b>42,356</b>
<b>Non-Current Assets</b>				
<b>Capital Assets:</b>				
Capital assets - not depreciated	-	-	-	-
Capital assets - depreciated	2,173,565	-	-	2,173,565
Less accumulated depreciation	(1,477,577)	-	-	(1,477,577)
<b>Net capital assets</b>	<b>695,988</b>	<b>-</b>	<b>-</b>	<b>695,988</b>
<b>Total assets</b>	<b>699,583</b>	<b>-</b>	<b>38,761</b>	<b>738,344</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions subsequent to measurement date	23,999	-	2,400	26,399
Deferred outflows related to pensions	155,174	-	15,517	170,691
<b>Total deferred outflows of resources</b>	<b>179,173</b>	<b>-</b>	<b>17,917</b>	<b>197,090</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Cash overdraft	-	-	-	-
Accounts payable	-	-	-	-
Accrued payroll	25,321	-	1,574	26,895
Bank Overdraft	39,079	-	-	39,079
Due to other funds	-	-	-	-
Current portion of compensated absences	30,936	-	-	30,936
Current portion of long-term debt/lease payable	-	-	-	-
<b>Total current liabilities</b>	<b>95,336</b>	<b>-</b>	<b>1,574</b>	<b>96,910</b>
<b>Noncurrent Liabilities</b>				
Net pension liability	432,008	-	43,201	475,209
Compensated absences	8,223	-	-	8,223
Long-term debt	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>440,231</b>	<b>-</b>	<b>43,201</b>	<b>483,432</b>
<b>Total liabilities</b>	<b>535,567</b>	<b>-</b>	<b>44,775</b>	<b>580,342</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	4,288	-	429	4,717
<b>NET POSITION</b>				
Net investment in capital assets	695,988	-	-	695,988
Restricted for construction	-	-	-	-
Restricted for debt service	-	-	-	-
Unrestricted	(357,087)	-	11,474	(345,613)
<b>Total net position</b>	<b>\$ 338,901</b>	<b>-</b>	<b>11,474</b>	<b>350,375</b>

*The Notes to the Financial Statements are an integral part of this statement.*



**CITY OF GRANTS**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	Golf Course	Housing Authority Low Rent	Airport	Total
<b>OPERATING REVENUES</b>				
Water, sewer and refuse sales	\$ -	-	-	-
Golf fees	416,520	-	-	416,520
Rental income	-	-	-	-
<b>Total operating revenues</b>	<b>416,520</b>	<b>-</b>	<b>-</b>	<b>416,520</b>
<b>OPERATING EXPENSES</b>				
Operating expenses	840,788	-	200,764	1,041,552
Depreciation	20,107	-	-	20,107
<b>Total operating expenses</b>	<b>860,895</b>	<b>-</b>	<b>200,764</b>	<b>1,061,659</b>
<b>Net income (loss) from operations</b>	<b>(444,375)</b>	<b>-</b>	<b>(200,764)</b>	<b>(645,139)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Federal grants and subsidies	-	-	-	-
Interest earnings	-	-	-	-
Depreciation expense	-	-	-	-
Other miscellaneous income (expense)	-	-	116,145	116,145
<b>Total non-operating revenues (expenses)</b>	<b>-</b>	<b>-</b>	<b>116,145</b>	<b>116,145</b>
<b>Net income (loss) before contributions and transfers</b>	<b>(444,375)</b>	<b>-</b>	<b>(84,619)</b>	<b>(528,994)</b>
Operating transfers in	355,000	-	100,000	455,000
Operating transfers (out)	-	-	-	-
Capital transfers in	-	-	-	-
Capital transfers (out)	-	(467,150)	-	(467,150)
<b>Change in net position</b>	<b>(89,375)</b>	<b>(467,150)</b>	<b>15,381</b>	<b>(541,144)</b>
Net position, beginning of year	428,276	467,150	(3,907)	891,519
<b>Total fund net position, at end of year</b>	<b>\$ 338,901</b>	<b>-</b>	<b>11,474</b>	<b>350,375</b>

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2017**

	Golf Course	Airport	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 452,200	(22,729)	429,471
Cash paid to suppliers	(303,744)	(197,762)	(501,506)
Cash paid to and on behalf of employees	(510,947)	-	(510,947)
<b>Net cash provided (used) by operating activities</b>	<b>(362,491)</b>	<b>(220,491)</b>	<b>(582,982)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Grants and subsidies	-	116,145	116,145
Advances (to) from other funds	-	-	-
Transfers in (out)	355,000	100,000	455,000
Other miscellaneous income (expense)	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>355,000</b>	<b>216,145</b>	<b>571,145</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of property and equipment	-	-	-
Principal paid: revenue bonds/lease purchase/advances	-	-	-
Interest paid: revenue bonds/lease purchase/advances	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	-	-	-
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in pooled cash</b>	<b>(7,491)</b>	<b>(4,346)</b>	<b>(11,837)</b>
Pooled cash and investments, beginning of year	7,491	5,855	13,346
<b>Pooled cash and investments, end of year</b>	<b>\$ -</b>	<b>1,509</b>	<b>1,509</b>
Cash and cash equivalents	\$ -	1,509	1,509
Restricted cash	-	-	-
<b>Total cash</b>	<b>\$ -</b>	<b>1,509</b>	<b>1,509</b>
<b>Non Cash Transactions:</b>			
Capital assets transferred in/(out)	\$ -	-	(467,150)

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	Golf Course	Airport	Total
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (444,375)	(200,764)	(645,139)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	20,107	-	20,107
Net pension related adjustments	7,311	3,002	10,313
Change in assets and liabilities			
(Increase) decrease in assets:			
Accounts receivable	(3,399)	(22,729)	(26,128)
Increase (decrease) in liabilities:			
Accounts and contracts payable	(2,471)	-	(2,471)
Wages payable	13,319	-	13,319
Compensated absences	7,938	-	7,938
<b>Total adjustments</b>	<b>81,884</b>	<b>(19,727)</b>	<b>62,157</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (362,491)</b>	<b>(220,491)</b>	<b>(582,982)</b>

*The Notes to the Financial Statements are an integral part of this statement.*

## **SUPPLEMENTAL SCHEDULES**

**CITY OF GRANTS  
FIDUCIARY FUNDS  
JUNE 30, 2017**

**FIDUCIARY FUND TYPES**

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Appearance Bond Fund - To account for collection and payments of Appearance Bonds from individuals arrested or cited by City Police.

Senior Citizens - To account for funds raised by members of the City of Grants Senior Citizen Organization to be used by and for Senior Citizen functions.

**CITY OF GRANTS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**Year Ended June 30, 2017**

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
<b>Appearance Bond Fund:</b>				
<b>Assets</b>				
Petty cash	\$ 500	-	-	500
Cash in bank	22,065	22,300	16,971	25,394
<b>Total assets</b>	<b>\$ 22,565</b>	<b>22,300</b>	<b>16,971</b>	<b>25,894</b>
<b>Liabilities</b>				
Deposits held for others	\$ 22,565	22,300	16,971	25,894
<b>Senior Citizens:</b>				
<b>Assets</b>				
Cash in bank	\$ 663	972	701	934
<b>Liabilities</b>				
Funds held for seniors	\$ 663	972	701	934
<b>Total Agency Funds:</b>				
<b>Assets</b>				
Petty cash	\$ 500	-	-	500
Cash in bank	22,728	23,272	17,672	26,328
<b>Total assets</b>	<b>\$ 23,228</b>	<b>23,272</b>	<b>17,672</b>	<b>26,828</b>
<b>Liabilities</b>				
Deposits held for others	\$ 23,228	23,272	17,672	26,828

*The Notes to the Financial Statements are an integral part of this statement.*

**CITY OF GRANTS**  
**SCHEDULE OF DEPOSIT**  
**ACCOUNTS June 30, 2017**

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	Grants State Bank	Pooled cash	\$ 4,456,666	3,687,383
Interest bearing checking	Wells Fargo	General Government Impr	989,592	989,592
Interest bearing checking	Wells Fargo	Payroll	94,268	93,095
Interest bearing checking	Wells Fargo	Utilities	983,175	983,175
Interest bearing checking	Wells Fargo	Money Market	1,401,742	1,401,742
Held & Directed by Trustee	NMFA	Debt Service - Museum	134,084	134,084
Held & Directed by Trustee	NMFA	Debt Reserve - Museum	64,972	64,972
Held & Directed by Trustee	NMFA	Debt Service - Street Sweeper	638	638
Held & Directed by Trustee	NMFA	Debt Reserve - Street Sweeper	19,410	19,410
Held & Directed by Trustee	NMFA	Debt Service - Fire Truck	250	250
			<u>8,144,797</u>	<u>7,374,341</u>
	Petty Cash	General Operating	-	1,840
	Petty Cash	Cibola Senior Center	-	66
	Petty Cash	Utilities	-	495
	Petty Cash	Water meter deposits	-	200
	Petty CASH	Appearance Bonds	-	500
<b>Total cash and cash equivalents - non-agency</b>			<u>\$ 8,144,797</u>	<u>7,377,442</u>
Investment	NM State Treasurer	Local Govt Investment Pool	<u>5,955,722</u>	<u>5,955,722</u>
<b>Total deposit and investment accounts - non-agency</b>			<u>\$ 14,100,519</u>	<u>13,333,164</u>
Agency funds cash accounts				
Interest bearing checking	Grants State Bank	Pooled cash	\$ 26,328	26,328
Petty Cash	Appearance Bonds		-	500
<b>Total cash - agency funds</b>			<u>\$ 26,328</u>	<u>26,828</u>
Government activities				10,331,059
Business-type activities				2,318,991
Business-type activities - restricted				683,114
Fiduciary funds				26,828
				<u>13,359,992</u>

**CITY OF GRANTS**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2017**

	Grants State Bank	Wells Fargo	Total
Deposits at June 30, 2017	\$ 4,482,994	3,468,777	7,951,771
Less: FDIC or NCUSIF coverage	250,000	500,000	750,000
Uninsured public funds	4,232,994	2,968,777	7,201,771
50% pledged collateral requirement per statute	\$ 2,116,497	1,484,389	3,600,886
Total pledged collateral	4,311,650	3,414,912	7,726,562
Pledged collateral (over) under the requirement	\$ (2,195,153)	(1,930,524)	(4,125,677)

Pledged collateral at June 30, 2017 consists of the following:

Security	CUSIP	Maturity	Fair Market Value
<i>Wells Fargo</i>			
FGPC 3.5000%	3132QSUG1	9/1/1945	\$ 358,496
FNMS 3.5000%	31417CMG7	7/1/1932	3,031,095
FNMS 3.0000%	31417DAD5	9/1/1942	25,321
			<u>3,414,912</u>
<i>Grants State Bank</i>			
SANTA FE CNTY NM BQ NONC	801889LR5	7/1/2019	797,783
SOUTHERN SANDOVAL NM FLOOD ARROYO F	843789EY0	8/1/2023	210,904
CORRALES NM GROSS RECPTS TAX REV	22026TAE7	5/1/2018	141,217
COWLITZ CO WA PUBLIC UTIL DIST REV	223777CH4	9/1/2018	523,185
DAVENPORT IA CSD BQ REV	23841QAEY	6/1/2019	515,855
DOVER TWP PA SWR AUTH BQ CALL REV	260480HZ4	5/1/2020	446,921
JOLIET IL WTRWKS & SEWAGE BQ REV	479791JU2	1/1/2020	512,375
NEW MEXICO ST SEVERANCE TAX REV	647310K26	7/1/2019	323,520
NEW MEXICO ST SEVERANCE TAX REV	647310k26	7/1/2019	539,200
TAOS NM GROSS RCPTS BQ CALL	87601RAL4	6/1/2023	300,690
			<u>4,311,650</u>
Total pledged collateral			<u>\$ 7,726,562</u>

The custodian of the pledged collateral securities for Wells Fargo is the Bank of New York (New York, NY)  
The custodian of the pledged collateral securities for Grants State Bank is the Independent Bankers Bank (Dallas, TX)



## **ADDITIONAL INFORMATION**



Service plus value, it all adds up.

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Mr. Wayne Johnson, State Auditor and  
The Mayor and City Council  
City of Grants  
Grants, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund of the City of Grants (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated June 22, 2018.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as items 2017-001, 2017-002 and 2017-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-004, 2017-005, 2017-006, and 2013-004.

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

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

### **Purpose of this Report**

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

***Ricci & Company LLC***

Albuquerque, New Mexico  
July 27, 2018

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**SECTION I - FINANCIAL STATEMENT FINDINGS**

**2017-001 CASH NOT RECONCILED ON A TIMELY BASIS (Material Weakness)**

**CONDITION:** City cash accounts at 6/30/17 were not completely reconciled at the time the audit was issued.

**CRITERIA:** Best practices as established pursuant to 2.20.5.8 (10) NMAC, require that all reporting of financial information must be timely, complete and accurate, to management and to oversight agencies and entities.

**CAUSE:** The former City Treasurer was not maintaining the cash accounts properly or in a timely manner.

**EFFECT:** As of the date of the audit report, the reconciliations required to audit the cash balances for the City were not provided to the auditor. As we were unable to obtain sufficient audit evidence in this area, the auditor's opinion on the financial statements will be modified over cash balances.

**MANAGEMENT RESPONSE:** New treasurer has balanced and reconciled cash accounts as of June 30, 2018 for FY18. New procedures have been implemented to balance all cash accounts on a monthly basis. Checks and balances are being implemented, as well as new and updated procedures throughout the entire finance department.

**TIMELINE OF CORRECTIVE ACTION PLAN:** 6/30/2018 – already complete

**RESPONSIBLE OFFICIAL:** City Treasurer

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**2017-002      CAPITAL ASSETS (Material Weakness)**

**CONDITION:** Capital asset records were not adequately maintained; detailed records did not agree to the trial balance and had not been properly updated and adjusted during the year. In addition, there was not enough information provided to ascertain what adjustments would be required to correctly adjust the accounts.

**CRITERIA:** Pursuant to 2.20.1.8 (A) NMAC, Agencies should implement systematic and well-documented methods for accounting for their fixed assets.

**CAUSE:** During the year, the City did not have a systematic approach to accounting for the activity in the capital asset accounts due to turnover in finance department.

**EFFECT:** The auditor was not able to obtain sufficient evidence of the capital asset accounts, the auditor's opinion will be modified over capital assets.

**MANAGEMENT RESPONSE:** Physical inventory completed 6/15/2018. Updating of old assets versus new assets in accounting system is on-going. New accounting software that will go live in January of 2019 will help us better manage fixed assets.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Management anticipates that the records will be compliant and up to date by 3/31/2019.

**RESPONSIBLE OFFICIAL:** Accounting Supervisor

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**2017-003      INTERNAL CONTROLS OVER FINANCIAL REPORTING (Material Weakness)**

**CONDITION:** During the course of our routine audit procedures, the following deficiencies in internal controls were identified:

- There were no written procedures for Utilities cash receipting;
- There were no written procedures or protocol for year-end financial close.

**CRITERIA:** Best practices as established pursuant to 2.20.5.8 (1) NMAC, require that “it is the responsibility of the chief financial officer to ensure that: an internal control structure exists.... and is functioning properly”.

**CAUSE:** The City has recently experienced turnover in accounting positions and particularly the Treasurer position. Prior to the new accounting administration, strict adherence to policies and procedures was neglected and policies failed to exist in other areas, resulting in inconsistent application of proper protocol.

**EFFECT:** Failure to have proper controls over City accounting processes, results in the susceptibility of City assets to misappropriation, abuse, or non-compliance.

**MANAGEMENT RESPONSE:** The City of Grants does have a very basic utilities cash receipt procedure that was given to the auditors June 7, 2018. New detailed policies are being written for the utilities cash receipting, as well as the finance department policies and procedures, as well as closing procedures.

**TIMELINE OF CORRECTIVE ACTION PLAN:** We anticipate that this action will be implemented by 12/31/2018

**RESPONSIBLE OFFICIAL:** City Treasurer

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**SECTION II – FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC**

**2017-004 - LATE AUDIT (OTHER NONCOMPLIANCE)**

**CONDITION:** The audited financial statements were not submitted to the State auditor until August 2, 2018.

**CRITERIA** Per State Audit Rule 2.2.2.9 A 1 (d), the audited financial statements of Municipalities are due by December 15 following the close of the year under audit. The annual audit of the City has been filed on time in recent years.

**CAUSE** The City was without a City Treasurer from November 2, 2017 through January 29, 2018. Significant audit procedures had to be performed after the original fieldwork completion date because a significant amount of requested information needed for the audit was not yet available. There was a delay in providing auditors with information to test cash, debt, capital assets, receivables, and payables including significant time to reconcile and provide accurate detailed schedules. The City draft of the financial statement was received on November 10. The receipt of certain other audit information did not occur until after December 15 and all final schedules and information received then required time to test and in some cases required additional reconciliation and modification. Auditors then needed additional time to complete all audit procedures, to perform necessary reviews of the financial statements prepared by the City and to perform its quality control procedures to ensure a high quality audit document and closure on all audit procedures.

**EFFECT:** The City was not in compliance with state law.

**RECOMMENDATION:** We recommend that a milestone schedule with completion dates can be agreed on to ensure on time completion; the City should develop a strategy for ensuring that auditor requests are responded to timely and that delays be communicated early and frequently to allow for fieldwork timing to be changed.

**MANAGEMENT RESPONSE:** New controls and schedules have been implemented to allow for FY18 audit to be completed on time.

**TIMELINE OF CORRECTIVE ACTION PLAN:** 9/30/2018

**RESPONSIBLE OFFICIAL:** City Treasurer

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**2017-005 - CAPITAL ASSETS (OTHER NONCOMPLIANCE)**

**CONDITION**

As part of our audit, we tested controls over fixed asset capitalization and tracking. We noted that it is the City's procedure to conduct an annual physical inventory of capital assets as required by state statute. However, in the year under audit, the City did not conduct the inventory until months after year-end.

In addition, we noted that certain capital assets were disposed of during the year without proper notification to the state auditor.

**CRITERIA**

Section 12-6-10 NMSA 1978 states that "The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars and under the control of the governing authority."

Sections 13-6-1 and 13-6-2 require local public bodies to notify the State auditor, in writing, 30 days in advance of disposition of property included on the agency inventory listing.

**EFFECT**

Without a verification of capital assets through a timely physical inventory, the City is at a greater risk of fraud, theft, or misappropriation

The City was out of compliance with the aforementioned statute.

**CAUSE**

The City was late in the performance of the inventory count.

Staff was unaware of the aforementioned requirement.

**RECOMMENDATION**

We recommend that the City review statutory requirements related to capital assets and ensure that the annual physical inventory of capital assets is performed in a timely manner, and that proper notifications are executed upon disposition of capital assets.

**MANAGEMENT RESPONSE:** This is a duplicate in theory to finding #2017-002. See response for that finding.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Management anticipates that the records will be compliant and up to date by 3/31/2019.

**RESPONSIBLE OFFICIAL:** Accounting Supervisor



**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**2017-006 – DEFICIT FUND BALANCE (OTHER NONCOMPLIANCE)**

**CONDITION**

The following funds have designated cash but did not have available assets within the fund to meet the liability requirements resulting in a deficit fund balance:

- General Government – (\$4,437,613)
- Senior Employment Program – (\$39,252)
- Foster Grand Parents – (\$43,956)
- Litter Control and Beatification – (\$2,583)
- Lodgers' Tax – (\$153,994)
- Senior Companion Program – (\$55,064)
- Senior Employment Program – (\$15,884)
- Golf course – (\$357,087)

**CRITERIA**

Section 2.2.2.10 (O)(1)(b), NMAC, states that the City's cash balances re-budgeted to absorb budget deficits cannot exceed the actual cash and receivable balance available at the end of the prior year.

**EFFECT**

The effect of a budget with inadequate designated cash available to cover the excess of budgeted expenditures over budgeted revenue could result in the City incurring debt to pay for current year budgeted expenditures.

**CAUSE**

Inadequate monitoring of budget transfers in order to update the budget in accordance with available cash.

**RECOMMENDATION**

Greater attention should be given throughout the year to the cash balances actually available and budget adjustments in order to cover budgeted expenditures in excess of budgeted revenues, which include proper monitoring of year end cash balances and any necessary budget transfers throughout the year.

**MANAGEMENT RESPONSE:** Prior Treasurer did not understand or try to learn fund accounting, internal transfers, budget transfers or cash balances. The current Treasurer's background is in the private sector but she is trying to learn, implement, and understand the above.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Corrective action to remedy the deficit fund balances will begin immediately and should be resolved by 12/31/2018.

**RESPONSIBLE OFFICIAL:** City Treasurer

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**SECTION II – FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC**

**2013-004      BUDGETARY NON-COMPLIANCE (Other Non-Compliance) - Repeated**

**CONDITION:** Actual expenditures exceeded budgeted expenditures during the year for the general government improvement fund.

No significant progress was deemed to have been accomplished by the City in resolving this issue from previous periods.

**CRITERIA:** Pursuant to 6-6-2 (J) NMSA, management shall “supervise the disbursement of funds to the end that expenditures will not be made in excess of budgeted items.....”

**CAUSE:** Certain capital costs were expended in the general government improvement fund that were not budgeted for in the City’s approved budget.

**EFFECT:** The City was in violation of the aforementioned statute.

**MANAGEMENT RESPONSE:** Previous Treasurer did not enter correct amounts in FY17 budget or for that matter FY18 budget. Adjustments have been made for FY18 and correct amounts entered in FY19 budget.

**TIMELINE OF CORRECTIVE ACTION PLAN:** 6/30/2018

**RESPONSIBLE OFFICIAL:** City Treasurer

**CITY OF GRANTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2017**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

FS 2013-004 – Legal Compliance with Budget (Other Noncompliance) - *Repeated*

FS 2015-003 – Segment Information (Other Noncompliance) - *Resolved*

FA 2015-004 – Lack of Segregation of Duties at Housing Authority (Significant Deficiency in Internal Control) - *Resolved*

FA 2015-006 Lack of Proper Documentation in Tenant Files (Significant Deficiency in Internal Control Over Major Programs / Other Noncompliance) - *Resolved*

**CITY OF GRANTS  
EXIT CONFERENCE  
For the Year Ended June 30, 2017**

**EXIT CONFERENCE**

An exit conference was held on August 2, 2018, to discuss the annual financial report. Attending were the following:

Representing the City of Grants, New Mexico:

Martin Hicks, Mayor  
Laura Jaramillo, City Manager  
Kimberly Simpson, Director of Finance

Representing the Independent Auditor:

Mark Santiago, Senior Audit Manager

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor. It would be preferred and desirable for the City to prepare its own financial statements and footnotes; although the City is capable, with guidance, of preparing, reviewing and approving the financial statements and footnotes, it is felt that the City's personnel do not have the time to prepare them.