



KRIEGEL/GRAY/SHAW & CO., P.C.

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STATE OF NEW MEXICO

CITY OF GRANTS

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2014

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CITY OF GRANTS
OFFICIAL ROSTER
JUNE 30, 2014

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>
<i>Martin Hicks</i>	<i>Mayor</i>
<i>Michael Quintana</i>	<i>Mayor Pro-Tem</i>
<i>Ruben Sandoval</i>	<i>Councilor</i>
<i>Michael W. Lewis</i>	<i>Councilor</i>
<i>Edwin E. Dickens, Jr.</i>	<i>Councilor</i>

ADMINISTRATIVE STAFF

<i>Paul Peña</i>	<i>City Manager</i>
<i>Tammy Torrez</i>	<i>Director of Finance</i>

INDEPENDENT AUDITORS' REPORT

Mr. Tim Keller, State Auditor and
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, 2014, 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 nonmajor governmental, nonmajor enterprise, and the budgetary comparisons for the major capital project fund, enterprise funds, and all nonmajor 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, 2014, 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.

Mr. Tim Keller, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
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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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grants, as of June 30, 2014, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, and nonmajor enterprise fund of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, enterprise funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Retiree Health Care Plan – Schedule of Funding Progress on pages 5 and 11 and page 59, 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.

Mr. Tim Keller, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
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Other 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 Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, the Financial Data Schedule (FDS) as required by the U.S. Department of Housing and Urban Development, and other schedules required by 2.2.2 NMAC listed as "other supplementary information" in the table of contents 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. The 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 Expenditures, the Financial Data Schedule*, and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2015 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.

Kriegel/Gray/Shaw & Co., P.C.
Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

January 31, 2015

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

As management of the City of Grants, we offer our residents and others who may read the City of Grants' financial statements this narrative overview and analysis of the financial activities of the City of Grants for fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The City's total net position increased over the course of this year's operations.
- During the year the City's expenses were \$2,197,952 less than the \$12,736,876 generated in taxes, other revenues, and transfers for governmental programs.
- In the City's business-type activities revenues and transfers increased 30% to (\$7,306,975) while expenses decreased 1%.
- The general fund reported an excess this year of \$891,591.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Grants' basic financial statements. The City of Grants' basic financial statements consist of three separate components: 1) government-wide financial statements: 2) fund financial statements: and 3) notes to the financial statements. This report also contains other supplementary information, including budgetary comparison information, in addition to the basic financial statements.

Certain items in the prior year financial statements have been reclassified for comparison purposes.

Governmental-Wide Financial Statements

The government-wide financial statements include a statement of net position with all government funds and account types. In addition, a statement of activities for government activities and business activities are included.

The statement of net position reports all financial and capital resources. The statement of net position presents information on all the City of Grants' assets and liabilities using the accrual basis of accounting. Over time increases or decreases in net position may determine whether the financial position of the City of Grants is improving or deteriorating.

The statements of accounts illustrate the statement of activities for the City of Grants. The statement of activities presents information, which illustrates how the City's net position changed during the most recent fiscal year. Again, revenues and expenses are recorded using the accrual basis of accounting. The statement of activities includes revenues from governmental activities as well as business-type activities.

The City of Grants, also known as the primary government, is predominantly financed through taxes, intergovernmental revenues, and other non-exchange revenues. These governmental activities include general government, public safety, public works, health and welfare and cultural and recreation. These governmental activities are classified and reported in governmental funds and special revenue funds. The business type activities are financed primarily from user fees charged to external parties for goods and or services. These activities are reported in enterprise funds in our financial statements. The City of Grants' business type activities include water and sewer systems, refuse, the City golf course, and housing.

The government-wide financial statements can be found on pages 12 and 13 of this report.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Fund Financial Statements

The City of Grants accounts for its finances through several fiscal and accounting entities called funds. We, like other state and local governments, use fund accounting to comply with state statutes regarding all finance-related transactions. The City of Grants has created its respective funds to establish a measure of flow from financial resources and/or to determine net income or net loss. These funds allow the City of Grants to manage its finances more effectively and more efficiently. The City of Grants maintains the following categories of fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

The governmental funds for the City of Grants include the general fund, special revenue funds, capital projects funds, and debt service funds. The governmental funds reporting focuses predominantly on the sources, uses, and balances of current financial resources that have been established by an approved appropriated budget. The governmental funds provide a detailed short-term view of the City's general government operations and the basic services it provides. The financial information contained in the governmental funds is useful in helping determine whether or not there are sufficient financial assets to provide funding for the City's current programs.

Proprietary Funds

Proprietary funds are used to account for activities similar to those in the private sector and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and Statement of Activities (revenues and expenses). In fact, the City's enterprise funds are the same as the business-type activities that are reported in the government-wide statements; however, they provide more detail in regards to cash flows for proprietary funds. The City's intent is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The City has the following enterprise funds: Utility Fund, Low Rent, Golf Course Operating Fund and Project home.

Fiduciary Funds

Fiduciary fund reporting focuses on assets and liabilities that are held in a trustee or agency capacity for other government agencies and therefore cannot be used to support the City's own programs. Fiduciary funds are not reflected in the government-wide financial statement for the reason that their resources are not available to the City. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the Financial Statements

The City's notes to the financial statements provide additional information that is necessary for a better understanding of all data that is illustrated in the government-wide and fund financial statements.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government-Wide Financial Analysis

City of Grants
Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
	Assets:					
Current assets and other assets	\$11,323,241	\$10,821,421	\$3,948,705	\$3,908,379	\$15,271,946	\$14,729,800
Capital	43,551,504	42,095,085	17,094,766	17,052,540	60,646,270	59,147,625
Total assets	\$54,874,745	\$52,916,506	\$21,043,471	\$20,960,919	\$75,918,216	\$73,877,425
Liabilities:						
Current and other liabilities	\$684,562	\$1,285,326	\$376,409	\$1,063,613	\$1,060,971	\$2,348,939
Long-term liabilities	1,495,494	1,134,443	1,858,589	1,851,034	3,354,083	2,985,477
Total liabilities	2,180,056	2,419,769	2,234,998	2,914,647	4,415,054	5,334,416
Net position:						
Net investment in capital assets	42,871,766	41,677,247	15,299,593	14,805,018	58,171,359	56,482,265
Restricted net position	3,212,987	1,759,150	781,216	743,845	3,994,203	2,502,995
Unrestricted net position	6,609,936	7,060,340	2,272,664	2,497,409	9,337,600	9,557,749
Total net position	52,694,689	50,496,737	18,808,473	18,046,272	71,503,162	68,543,009
Total liabilities and net position	\$54,874,745	\$52,916,506	\$21,043,471	\$20,960,919	\$75,918,216	\$73,877,425

Capital assets (net of accumulated depreciation) make up 79% of the City's total assets from governmental activities. Investments in capital assets include: land, buildings, machinery and equipment, and infrastructure. The City of Grants utilizes these assets to provide services to its citizens; therefore, these assets are not available for future spending.

At the end of the current fiscal year, the City of Grants reported a positive balance in all three categories of net position.

In evaluating the operating performances of an agency, the rate of return on assets is probably one of the most useful measures of the entity's profitability and efficiency. The return on assets ratio for the City is 4.5% for fiscal year ending June 30, 2014. This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have been decreased by 10% due to principal payments and a decrease in accounts payable. Total assets have increased in 2014 predominantly due to increases in capital assets including construction in progress. Investment income continued to decrease in fiscal year 2014 due to decreases in interest rates. These factors primarily affect the increase in current assets in 2014 compared to 2013.

Net position for business-type activities has increased by \$762,201, an increase of 4.2%. Overall, liabilities were reduced due to annual reductions in long-term debt and reductions in accounts payable. No additional debt was incurred in fiscal year 2014. In addition, capital assets increased (evidenced by capital transfers in) due to construction of utility projects.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Financial Analysis of the City's Major Funds

GENERAL FUND

The General Fund is the major operating fund for the City. The General Fund is the single largest fund pertaining to revenues and expenditures. Total revenues in fiscal year 2013 were \$8,973,434 and \$9,221,344 in 2014, an increase of \$247,910 (2.8%) for comparative years. The majority of the difference is due to a decrease in taxes.

Expenditures in the General Fund for fiscal year 2013 were \$6,912,375 and \$6,721,944 for fiscal year 2014, a decrease of \$190,431. The slight decrease was due primarily to a conscious effort to maintain expenditure levels in a declining economy. The General Fund fund balance increased in 2014 in the amount of \$891,591 with expenditures less transfers exceeding revenues for an ending fund balance of \$8,168,149 as of June 30, 2014.

GENERAL GOVERNMENT IMPROVEMENTS FUND

The General Government Improvements Fund accounts for the City's capital outlay projects primarily funded from the state legislative appropriations, federal grants, and City monies. In the fiscal year 2012/2013 the City accounted for \$1,663,591 in federal grant revenues and \$121,400 in state grants for total grant revenues of \$1,784,910. In fiscal year 2013/2014 the total grant revenues of \$1,920,414 consisted of federal grant revenues of \$233,567 and state grant revenues of \$1,686,847.

The revenues received by the City will fluctuate as a result of grant appropriations received from year to year. Fluctuations will also occur when monies are expended and received annually.

Expenditures in fiscal year 2012/2013 were \$4,795,641. The majority of the expenditures were incurred for the roads, street drainage projects, and various other small equipment purchases. Expenditures in fiscal year 2013/2014 were \$2,839,882 with an additional capital transfer out of \$795,983. The capital transfer was due to project Grants Funds expended and incurred in the General Government Improvements Fund for the benefit of other funds. Expenditures were incurred for the City's roads, street drainage projects, and various other small equipment purchases.

UTILITY FUND

The Utility Fund is used to account for all water, sewer and refuse revenues and expenses. It is a major proprietary fund for the City. Total operating revenues for 2012/2013 fiscal year was \$5,946,239 and \$6,200,147 for 2013/2014; a slight increase of \$253,908 4.3%. The slight increase is attributable to variation in customer usage. Net income increased in 2014 versus 2013 by \$1,875,061. Operating expenses decreased in fiscal year 2013/2014 compared to 2012/2013 by \$101,783, which is .18%. The net income increase results from capital assets transferred in from the general government improvement fund, a reduction in operating transfers out and usage increases.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

General Fund Budgetary Highlights

The City of Grants total actual expenditures for fiscal year 2013/2014 were 7.8% under the budgeted expenditure amounts for the year. Public safety is responsible for 37%, general government is responsible for 42% and public works is responsible for 10% of the General Fund expenditures.

The City's total state shared and municipal tax amount for fiscal year 2013/2014 increased by 3.3% over fiscal year 2012/2013. The Grants economy continued to show growth in spite of the overall economic down turns in the State and County.

General Fund budgeted revenues and expenditures were not amended during the year.

City of Grants
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$1,371,936	\$1,303,303	\$6,469,625	\$6,241,947	\$7,841,561	\$7,545,250
Operating grants and contributions	1,170,578	1,165,027	35,247	30,137	1,205,825	1,195,167
Capital grants and contributions	1,954,108	1,784,991	0	0	1,954,108	1,784,991
<u>General Revenue:</u>						
Taxes	8,098,175	7,890,611	0	0	8,098,175	7,890,611
Investment income	8,267	17,142	3,567	207	11,834	17,349
Miscellaneous	133,812	98,848	3,585	634	137,397	99,482
<i>Total revenue</i>	<i>12,736,876</i>	<i>12,259,922</i>	<i>6,512,024</i>	<i>6,272,925</i>	<i>19,248,900</i>	<i>18,532,847</i>
Expenses:						
General Government	3,619,427	4,385,630	0	0	3,619,427	4,385,630
Public Safety	2,815,288	2,688,619	0	0	2,815,288	2,688,619
Public Works	1,384,241	1,245,704	0	0	1,587,485	1,245,704
Health and Welfare	892,920	944,524	0	0	892,920	944,524
Culture and Recreation	1,009,930	1,039,171	0	0	1,009,930	1,039,171
Interest and fees on long-term debt	22,167	30,086	0	0	22,167	30,086
Water, sewer and refuse	0	0	5,646,250	5,723,348	5,646,250	5,723,348
Golf	0	0	769,158	791,923	769,158	791,923
Rental	0	0	129,366	108,555	129,366	108,555
<i>Total expenses</i>	<i>9,743,973</i>	<i>10,333,734</i>	<i>6,544,774</i>	<i>6,623,826</i>	<i>16,491,991</i>	<i>16,957,560</i>
Increase in net position before transfers	2,992,903	1,926,188	(32,750)	(350,901)	2,756,909	1,575,287
Transfers	(794,951)	659,986	794,951	(659,986)	0	0
<i>Change in net position</i>	<i>2,197,952</i>	<i>2,586,174</i>	<i>762,201</i>	<i>(1,010,887)</i>	<i>2,756,909</i>	<i>1,575,287</i>
Net position – July 1 (as restated)	50,496,737	47,910,563	18,046,272	19,057,159	68,746,253	66,967,722
Net position - June 30	\$52,694,689	\$50,496,737	\$18,808,473	\$18,046,272	\$71,503,162	\$68,543,009

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government Activities

Revenue received from program and general activities was more than expenses for fiscal year 2014, which included capital grants where amounts expended have been capitalized.

Business-Type Activities

Business-type activities income before transfers decreased the City's net position by \$32,750. Net operational losses from golf and housing activities were responsible for this decrease.

Financial Analysis of the City's Funds

As mentioned earlier, the City of Grants uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of current fiscal year, the City of Grants governmental funds reported combined ending balances of \$10,638,679, which is an increase from the prior year ending fund balances. The City's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. The business-type activities have demonstrated sufficient revenue and sufficient cash flow to guarantee that all expenditures, including long-term debt will be paid in a timely manner.

Capital Assets and Debt Administration

Capital Assets

The City of Grants net capital assets for its government type activities as of June 30, 2014 amounted to \$43,551,504. This investment in capital assets includes land improvements, building improvements, vehicles, machinery and equipment, and infrastructure. The most significant impact on capital assets during the year resulted from the following:

- Street Improvements and Drainage Projects

Long-term Debt

The City's total debt (excluding compensated absences and leases payable) as of June 30, 2014 is \$3,013,959, which decreased by \$324,190, which represents payments on outstanding debt and the addition of a NMFA loan for a fire truck of \$265,831. The majority of this amount is due to the outstanding loan amount of \$2,033,232 that was from the New Mexico Environmental Department, for construction and acquisition of equipment for a wastewater treatment plant facility previously constructed in 1992.

More detailed information regarding these activities and funds is included in Note 5.

The City of Grants issued no new long-term bonds during the current fiscal year. The City has no general obligation bonds outstanding at June 30, 2014.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

City of Grants
Outstanding Bonds and Liabilities to Financial Institutions

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$0	\$145,000	\$0	\$0	\$0	\$145,000
General Obligation Bonds	0	0	0	0	0	0
Notes Payable	290,994	340,748	1,742,238	2,112,393	2,033,232	2,453,141
NMFA – Fire Truck	0	53,115	0	0	0	53,115
NMFA – Fire Truck	265,831	0	0	0	265,831	0
Capital Leases	0	0	52,935	135,125	52,935	135,125
NMFA Street Sweeper	122,913	163,478	0	0	122,913	163,478
OPEB	539,048	388,290	0	0	539,048	388,290
Total	\$1,218,786	\$1,090,631	\$1,795,173	\$2,247,518	\$3,013,959	\$3,338,149

Economic Factors

The City of Grants base gross receipts taxes which are the City's largest resource decreased by 10.6% from fiscal year 2010/2011 to fiscal year 2011/2012, increased 6.2% from fiscal year 2011/2012 to fiscal year 2012/2013, and increased 3.6% from fiscal year 2012/2013 to fiscal year 2013/2014.

The City continues to insure that revenues are sufficient to meet budgeted obligations. The City makes every effort possible to ensure that the resources available are maximized to provide services to the public.

Requests for Information

This financial report is designed to provide a general overview of the City of Grants' finances for those interested in the government finances. Questions concerning any of the information provided in the report or request for additional information should be addressed to the City of Grants, City Manager at 600 West Santa Fe Avenue, Grants, New Mexico 87020.

CITY OF GRANTS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$8,485,763	\$2,060,913	\$10,546,676
Cash held with trustee	215,025	0	215,025
Grant revenue receivable	1,525,668	0	1,525,668
Accounts receivable, net	1,258,710	643,921	1,902,631
State taxes receivable	0	0	0
Internal balances	(161,925)	161,925	0
Inventories	0	65,726	65,726
Restricted Assets:			
Cash - SBF - Construction	0	40,000	40,000
Cash - debt reserves	0	741,216	741,216
Cash - customer deposits	0	235,004	235,004
Capital Assets:			
Capital assets not depreciated	8,456,393	2,917,413	11,373,806
Capital assets, depreciated	52,092,656	37,235,928	89,328,584
Accumulated depreciation	(16,997,545)	(23,058,575)	(40,056,120)
<i>Total capital assets</i>	43,551,504	17,094,766	60,646,270
<i>Total assets</i>	54,874,745	21,043,471	75,918,216
Liabilities			
Accounts payable	345,009	122,611	467,620
Accrued payroll	339,553	14,374	353,927
Customer deposits	0	239,057	239,057
Prepaid rents	0	367	367
Long-term liabilities:			
Due within one year	143,043	452,360	595,403
Due in more than one year	1,352,451	1,406,229	2,758,680
<i>Total liabilities</i>	2,180,056	2,234,998	4,415,054
Net Position			
Net investment in capital assets	42,871,766	15,299,593	58,171,359
Restricted for:			
Debt service	517,320	741,216	1,258,536
Other purposes	2,695,667	40,000	2,735,667
Unrestricted (deficit)	6,609,936	2,727,664	9,337,600
<i>Total net position</i>	\$52,694,689	\$18,808,473	\$71,503,162

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$3,619,427	\$1,309,697	\$90,888	\$0	(\$2,218,842)	\$0	(\$2,218,842)
Public safety	2,815,288	39,877	261,740	0	(2,513,671)	0	(2,513,671)
Public works	1,384,241	0	0	1,954,108	569,867	0	569,867
Health and welfare	892,920	22,362	798,039	0	(72,519)	0	(72,519)
Cultural and recreational	1,009,930	0	19,911	0	(990,019)	0	(990,019)
Interest and fees on long-term debt	22,167	0	0	0	(22,167)	0	(22,167)
<i>Total governmental activities</i>	<i>9,743,973</i>	<i>1,371,936</i>	<i>1,170,578</i>	<i>1,954,108</i>	<i>(5,247,351)</i>	<i>0</i>	<i>(5,247,351)</i>
Business-Type Activities:							
Water	2,805,264	2,104,869	0	0	0	(700,375)	(700,375)
Sewer	2,218,834	2,245,378	0	0	0	26,544	26,544
Refuse	622,152	1,849,880	0	0	0	1,227,728	1,227,728
Golf	769,158	241,552	0	0	0	(527,606)	(527,606)
Rental	129,366	27,926	35,247	0	0	(66,193)	(66,193)
<i>Total business-type activities</i>	<i>6,544,774</i>	<i>6,469,625</i>	<i>35,247</i>	<i>0</i>	<i>0</i>	<i>(39,902)</i>	<i>(39,902)</i>
Total primary government	\$16,288,747	\$7,841,561	\$1,205,825	\$1,954,108	(\$5,247,351)	(\$39,902)	(\$5,287,253)

General Revenues

Taxes:				
Gross receipts/state shared		\$6,908,896	\$0	\$6,908,896
Property		462,718	0	462,718
Lodgers' tax		372,582	0	372,582
Franchise tax		353,979	0	353,979
Investment income		8,267	3,567	11,834
Other		100,862	3,585	104,447
Sale of lots		32,950	0	32,950
Operating transfers, net		1,032	(1,032)	0
Capital transfers, net		(795,983)	795,983	0
<i>Total general revenues and transfers</i>		<i>7,445,303</i>	<i>802,103</i>	<i>8,247,406</i>
Change in net position		2,197,952	762,201	2,960,153
Net position (deficit), beginning of year, as previously stated		49,721,569	18,005,940	67,727,509
Restatements		775,168	40,332	815,500
Net position (deficit), beginning of year, as restated		50,496,737	18,046,272	68,543,009
Net position (deficit), end of year		\$52,694,689	\$18,808,473	\$71,503,162

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
ASSETS				
Pooled cash and investments	\$5,333,344	\$35,210	\$3,117,209	\$8,485,763
Cash held with trustee	0	0	215,025	215,025
Accounts receivable, net allowance	1,140,333	0	118,377	1,258,710
Grant revenue receivable	180	1,509,224	16,264	1,525,668
Due from other funds	2,115,675	0	0	2,115,675
Total assets	\$8,589,532	\$1,544,434	\$3,466,875	\$13,600,841
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$87,861	\$113,256	\$143,892	\$345,009
Accrued payroll	333,522	0	6,031	339,553
Accrued compensated absences - ST	0	0	0	0
Due to other funds	0	2,258,438	19,162	2,277,600
Total liabilities	421,383	2,371,694	169,085	2,962,162
Fund Balances:				
Restricted	0	0	3,212,987	3,212,987
Committed	0	0	0	0
Assigned	42,502	0	47,408	89,910
Unassigned	8,125,647	(827,260)	37,395	7,335,782
Total fund balance	8,168,149	(827,260)	3,297,790	10,638,679
Total liabilities and fund balance	\$8,589,532	\$1,544,434	\$3,466,875	\$13,600,841

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET POSITION
JUNE 30, 2014

FUND BALANCE of Governmental Funds	\$10,638,679
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.	43,551,504
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(1,495,494)
<hr/> <i>Net position of governmental activities</i>	<hr/> \$52,694,689

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
REVENUES				
Intergovernmental - federal	\$32,620	\$233,567	\$395,957	\$662,144
Intergovernmental - state	94,401	1,686,847	560,973	2,342,221
Intergovernmental - other	50,200	0	32,401	82,601
Property tax	462,718	0	0	462,718
State shared taxes and municipal taxes	6,798,612	0	110,284	6,908,896
Lodgers' tax	0	0	372,582	372,582
Licenses and permits	72,125	0	0	72,125
Fines	15,714	0	0	15,714
Franchise tax	353,979	0	0	353,979
Fees, service charges, and rental revenue	1,213,805	8,053	57,727	1,279,585
Investment income	5,650	66	2,551	8,267
Sale of property	19,770	0	13,180	32,950
Donations	888	0	510	1,398
Miscellaneous	100,862	33,694	7,140	141,696
<i>Total revenues</i>	9,221,344	1,962,227	1,553,305	12,736,876
EXPENDITURES				
Current:				
General government	2,825,682	0	49,148	2,874,830
Public safety	2,486,118	0	239,001	2,725,119
Public works	689,228	0	0	689,228
Health and welfare	0	0	801,090	801,090
Cultural and recreational	711,922	0	305,832	1,017,754
Capital outlay	8,994	2,839,882	85,544	2,934,420
Debt Service:				
Principal	0	0	288,434	288,434
Interest and other charges	0	0	21,134	21,134
Fees	0	0	1,033	1,033
<i>Total expenditures</i>	6,721,944	2,839,882	1,791,216	11,353,042
<i>Revenues over (under) expenditures</i>	2,499,400	(877,655)	(237,911)	1,383,834
Other Financing Sources (Uses):				
Loan proceeds	0	265,831	0	265,831
Transfers in	0	1,592,770	1,282,239	2,875,009
Transfers out	(1,607,809)	0	(1,266,168)	(2,873,977)
Capital transfer in	0	2,436	0	2,436
Capital transfer out	0	(798,419)	0	(798,419)
<i>Total other financing sources (uses)</i>	(1,607,809)	1,062,618	16,071	(529,120)
<i>Net changes in fund balance</i>	891,591	184,963	(221,840)	854,714

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
FUND BALANCE				
Fund balance, beginning of year, as previously stated	7,276,558	(1,012,223)	3,500,377	9,764,712
Restatements	0	0	19,253	19,253
Fund balance, beginning of year, as restated	7,276,558	(1,012,223)	3,519,630	9,783,965
<i>Fund balance, end of year</i>	<i>\$8,168,149</i>	<i>(\$827,260)</i>	<i>\$3,297,790</i>	<i>\$10,638,679</i>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - Governmental Funds	\$854,714
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,758,980) exceeded depreciation (\$1,302,561).	1,456,419
Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	288,434
Loan proceeds are recorded as other financing sources in the governmental funds, but are shown as liabilities in the statement of net position.	(265,831)
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.	14,974
Net unpaid annual required contribution for OPEB plan creates a long-term liability not recorded in governmental funds.	(150,758)
<i>Change in net position of governmental activities</i>	\$2,197,952

CITY OF GRANTS
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$513,533	\$513,533	\$491,754	(\$21,779)
State shared taxes and municipal taxes	6,610,500	6,610,500	6,880,499	269,999
Franchise fees	325,000	325,000	351,706	26,706
Fine and forfeits	55,000	55,000	15,714	(39,286)
Licenses and permits	20,000	20,000	68,756	48,756
Intergovernmental revenue	224,200	224,200	185,937	(38,263)
Fees and service charges	1,027,300	1,027,300	1,213,324	186,024
Donations	500	500	888	388
Investment income	12,000	12,000	5,616	(6,384)
Sale of property	15,000	15,000	19,770	4,770
Other revenue	5,000	5,000	97,978	92,978
<i>Total revenues</i>	<u>8,808,033</u>	<u>8,808,033</u>	<u>9,331,942</u>	<u>523,909</u>
EXPENDITURES				
Current:				
General government	1,330,299	1,330,299	2,815,166	(1,484,867)
Public safety	2,626,937	2,626,937	2,492,443	134,494
Public works	2,523,773	2,523,773	690,482	1,833,291
Cultural and recreational	695,896	695,896	716,043	(20,147)
Health and welfare	0	0	0	0
Capital outlay	114,200	114,200	8,994	105,206
<i>Total expenditures</i>	<u>7,291,105</u>	<u>7,291,105</u>	<u>6,723,128</u>	<u>567,977</u>
<i>Excess (deficiency) of revenues over expenditures</i>	1,516,928	1,516,928	2,608,814	1,091,886
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	(736,807)	(736,807)	(1,607,809)	(871,002)
<i>Total other financing sources (uses)</i>	<u>(736,807)</u>	<u>(736,807)</u>	<u>(1,607,809)</u>	<u>(871,002)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$780,121</u>	<u>\$780,121</u>	<u>\$1,001,005</u>	<u>\$220,884</u>
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)			\$1,001,005	
Adjustments for revenue accruals, transfers, earnings on investments			(110,598)	
Adjustments for expenditures for payables, inventory, other expenditure accruals			1,184	
<i>Net change in fund balance (GAAP Basis)</i>			<u>\$891,591</u>	

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2014

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$69,069	\$1,952,701	\$39,143	\$2,060,913
Cash held with trustee	0	0	0	0
Investments	0	0	0	0
Accounts receivable - other	373	0	0	373
Accounts receivable - tenants (net of allowance)	0	0	914	914
Accounts receivable, water and sewer (net of allowance)	0	642,634	0	642,634
Interest receivable	0	0	0	0
Inventory	0	65,726	0	65,726
Due from other funds	0	168,438	4,162	172,600
<i>Total current assets</i>	69,442	2,829,499	44,219	2,943,160
Non-Current Assets				
Restricted Assets:				
Cash - SBF - construction	0	40,000	0	40,000
Cash - debt reserves	0	741,216	0	741,216
Cash - customer deposits	0	235,004	0	235,004
<i>Total restricted assets</i>	0	1,016,220	0	1,016,220
Capital Assets:				
Capital assets - not depreciated	0	2,870,689	46,724	2,917,413
Capital assets - depreciated	2,225,420	33,855,863	1,154,645	37,235,928
Less accumulated depreciation	(1,435,258)	(20,917,626)	(705,691)	(23,058,575)
<i>Net capital assets</i>	790,162	15,808,926	495,678	17,094,766
<i>Total assets</i>	859,604	19,654,645	539,897	21,054,146
LIABILITIES				
Current Liabilities:				
Accounts payable	1,867	119,640	1,104	122,611
Accrued payroll	7,192	6,226	956	14,374
Tenant security deposits/utility deposits	0	234,807	4,250	239,057
Prepaid rents	0	0	367	367
Due to other funds	0	10,675	0	10,675
Current portion of compensated absences	0	0	1,377	1,377
Current portion of long-term debt/lease payable	52,935	398,048	0	450,983
<i>Total current liabilities</i>	61,994	769,396	8,054	839,444
Non-Current Liabilities:				
Long-term debt	0	1,344,190	0	1,344,190
Compensated absences	29,840	30,228	1,971	62,039
<i>Total noncurrent liabilities</i>	29,840	1,374,418	1,971	1,406,229
<i>Total liabilities</i>	91,834	2,143,814	10,025	2,245,673
Net Position:				
Net investment in capital assets	737,227	14,066,688	495,678	15,299,593
Restricted for construction	0	40,000	0	40,000
Restricted for debt service	0	741,216	0	741,216
Unrestricted	30,543	2,662,927	34,194	2,727,664
<i>Total net position</i>	\$767,770	\$17,510,831	\$529,872	\$18,808,473

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
OPERATING REVENUES				
Water, sewer and refuse sales	\$0	\$6,200,147	\$0	\$6,200,147
Golf fees	237,652	0	0	237,652
Rental income	3,900	0	27,926	31,826
<i>Total operating revenues</i>	241,552	6,200,147	27,926	6,469,625
OPERATING EXPENSES				
Operating expenses	635,062	4,948,460	95,606	5,679,128
Depreciation	134,096	659,264	33,760	827,120
<i>Total operating expenses</i>	769,158	5,607,724	129,366	6,506,248
<i>Net income (loss) from operations</i>	(527,606)	592,423	(101,440)	(36,623)
NON-OPERATING REVENUES (EXPENSES)				
Federal grants and subsidies	0	0	35,247	35,247
Interest earnings	0	3,566	1	3,567
Interest expense	0	(38,526)	0	(38,526)
Other miscellaneous income (expense)	0	1,627	1,958	3,585
Loss on asset disposals	0	0	0	0
Other debt expense	0	0	0	0
<i>Total non-operating revenues (expenses)</i>	0	(33,333)	37,206	3,873
<i>Net income (loss) before contributions and transfers</i>	(527,606)	559,090	(64,234)	(32,750)
Operating transfers in	475,000	600,418	0	1,075,418
Operating transfers (out)	0	(1,076,450)	0	(1,076,450)
Capital transfers in	8,206	834,208	0	842,414
Capital transfers (out)	0	(46,431)	0	(46,431)
<i>Change in net position</i>	(44,400)	870,835	(64,234)	762,201
Total fund net position, at beginning of year	812,170	16,602,858	590,912	18,005,940
Restatements	0	37,138	3,194	40,332
Total fund net position, at beginning of year, as restated	812,170	16,639,996	594,106	18,046,272
<i>Total fund net position, at end of year</i>	\$767,770	\$17,510,831	\$529,872	\$18,808,473

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers (including other funds)	\$241,526	\$6,192,498	\$28,136	\$6,462,160
Cash paid to suppliers	(240,403)	(4,836,296)	(38,919)	(5,115,618)
Cash paid to employees	(398,653)	(341,801)	(55,295)	(795,749)
<i>Net cash provided (used) by operating activities</i>	<i>(397,530)</i>	<i>1,014,401</i>	<i>(66,078)</i>	<i>550,793</i>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants and subsidies	0	0	35,247	35,247
Advances (to) from other funds	0	10,675	27,557	38,232
Transfers in (out)	475,000	(476,032)	0	(1,032)
<i>Net cash provided (used) by noncapital financing activities</i>	<i>475,000</i>	<i>(465,357)</i>	<i>62,804</i>	<i>72,447</i>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	0	(71,365)	(1,998)	(73,363)
Principal paid: revenue bonds/lease purchase/advances	(82,190)	(370,154)	(926)	(453,270)
Interest paid: revenue bonds/lease purchase/advances	0	(38,526)	0	(38,526)
Other income	0	1,627	1,958	3,585
<i>Net cash provided (used) by capital and related financing activities</i>	<i>(82,190)</i>	<i>(478,418)</i>	<i>(966)</i>	<i>(561,574)</i>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	0	3,566	1	3,567
<i>Net cash provided (used) by investing activities</i>	<i>0</i>	<i>3,566</i>	<i>1</i>	<i>3,567</i>
<i>Net increase (decrease) in pooled cash</i>	<i>(4,720)</i>	<i>74,192</i>	<i>(4,239)</i>	<i>65,233</i>
Pooled cash and investments, beginning of year	73,789	2,894,729	43,382	3,011,900
<i>Pooled cash and investments, end of year</i>	<i>\$69,069</i>	<i>\$2,968,921</i>	<i>\$39,143</i>	<i>\$3,077,133</i>
Cash and cash equivalents	\$69,069	\$1,952,701	\$39,143	\$2,060,913
Restricted cash	0	1,016,220	0	1,016,220
<i>Total cash</i>	<i>\$69,069</i>	<i>\$2,968,921</i>	<i>\$39,143</i>	<i>\$3,077,133</i>
Non Cash Transactions:				
Capital assets transferred in/(out)	\$8,206	\$787,777	\$0	\$795,983

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	(\$527,606)	\$592,423	(\$101,440)	(\$36,623)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	134,096	659,264	33,760	827,120
Provision for uncollectible accounts	0	0	0	0
Change in assets and liabilities:				
(Increase) Decrease in assets:				
Accounts receivable	(26)	(34,345)	309	(34,062)
Inventories	0	20,741	0	20,741
Other charges	0	0	(99)	(99)
Prepays	0	0	20	20
Increase (Decrease) in liabilities:				
Accounts and contracts payable	(1,872)	(220,689)	339	(222,222)
Wages payable	(837)	(5,732)	1,336	(5,233)
Compensated absences	(1,285)	(3,216)	447	(4,054)
Tenant deposits/utility deposits	0	5,955	(750)	5,205
Tenants prepaid rent	0	0	0	0
<i>Total adjustments</i>	130,076	421,978	35,362	587,416
Net cash provided (used) by operating activities	(\$397,530)	\$1,014,401	(\$66,078)	\$550,793

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2014

	Agency Funds
ASSETS	
Cash, certificates of deposits and investments	\$24,008
<i>Total assets</i>	\$24,008
LIABILITIES	
Due to others	\$24,008
<i>Total liabilities</i>	\$24,008

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description and Reporting Entity

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, 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.

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, the City of Grants Housing Authority is the only component unit, which has been blended with the other funds of the City in the special revenue funds (Housing Capital Funds Program and Housing Authority Vouchers) and enterprise funds (Low Rent). The Housing Authority Board is appointed by the City Council.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

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, all 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.

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

Primary Operating Fund – It accounts 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.

Enterprise – Golf Course Fund – accounts for the operation of the municipal golf course.

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.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, 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. 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.

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.

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. 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.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The budgets for the Housing Authority follow HUD requirements in that certain programs are not budgeted (HOME 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.

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.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Assets Liabilities and Equity

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.

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, which is determined using selected bases. 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.

Restricted Cash and Investments

The amount of cash held representing utility deposits and rental are deposits classified as restricted on the Statement of Net Position - Proprietary Funds.

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, 2014 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, 2014.

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

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 with the exception of certain receivables from utility services provided to customers. Accordingly, a \$79,470 allowance for doubtful accounts has been recorded in the Joint Utility Enterprise Fund.

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.

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 have been recorded (predominantly roads and utilities). 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.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, except on livestock, 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 .004402 per \$1,000 of net taxable value of residential and .004364 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.

The Mill Levy tax rates for the City of Grants for 2014 were as follows:

	Residential	Non-Residential
General Operating	.004402	.004364

These are the tax rates applied to each \$1,000 of property value taxable by the City.

Income Taxes

As a local government entity, the City is not subject to federal or state income taxes.

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.

As of June 30, 2014, the liability for accrued compensated absences is \$340,124. The amount applicable to the Enterprise Funds Utility is \$30,228; Golf Course is \$29,840, and Nonmajor Proprietary Funds of \$3,348. The amount applicable to Government Activities is \$276,708. These liabilities will be liquidated as leave time is utilized from the various funding sources from which each employee is paid.

Cash and Cash Equivalents

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.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Utilities Fund consists of expendable supplies held for consumption.

State law required the City to stop using water utility materials that contain lead. This law went into effect on January 1, 2014. The impaired inventory written off by the City was \$11,284.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is displayed in three components:

Net Investment in Capital Assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Net position are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – Net position that does not meet the definition of “restricted” and “Net investment in capital assets.”

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 City 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.

Cash and certificates of deposit at June 30, 2014 consisted of the following:

	CASH		Account Type
	Reconciled Balance	On Deposit June 30, 2014	
Petty Cash – Cibola Senior Center	\$66		
Petty Cash – General Operating	1,840		
Petty Cash – Utilities Operating	495		
Petty Cash – Water Meter Deposits	200		
Petty Cash – Appearance Bonds	500		
Grants State Bank	4,091,291	\$4,416,795	Demand Deposit
Wells Fargo Bank Government Imp.	35,210	35,210	Demand Deposit
Wells Fargo Bank Payroll	0	2,787	Demand Deposit
U.S. Bank Housing Authority – Vouchers	42,906	45,163	Demand Deposit
U.S. Bank Housing Authority – Low Rent	39,143	38,943	Demand Deposit
	4,211,651	4,538,898	

Held and Directed by Trustee

Cash – directed by the New Mexico Finance Authority.

Debt service account	\$124,267
Debt service account	6,996
Debt service account	19,282
Debt reserve account	64,480
Project account – Water Trust Board	40,000
	\$255,025

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments

	Cost	Market	Percent of Investment Portfolio
Wells Fargo Bank:			
Certificate of Deposit	\$400,000	\$400,000	
Certificate of Deposit	500,000	500,000	
Certificate of Deposit	500,000	500,000	
Certificate of Deposit	500,000	500,000	
Certificate of Deposit	400,000	400,000	
	2,300,000	2,300,000	31.35%
State Treasurer:			
Pool – Reserve Contingency Fund	2,470	0	
Pool – LGIP Fund	5,035,253	5,035,253	
<i>Total Pool</i>	5,037,723	5,035,253	68.65%
<i>Total Investments</i>	7,337,723	7,335,253	100.00%
Total Cash and Investments	\$11,801,929		
Governmental Activities			\$8,700,788
Business-Type Activities			2,060,913
Business-Type Activities Restricted			1,016,220
Fiduciary Funds			24,008
			\$11,801,929

<u>Investment Type</u>	Cost Basis	Market Value	Credit Risk- Rating	Weighted Average Maturity Days
State Investment Pool** - LGIP	\$5,035,253	\$5,035,253	AAAm	48.6
State Investment Pool – Reserve Contingency Fund	2,470	0		◆
CD's	2,300,000	2,300,000	NR	90
	7,337,723	7,335,253		
Less investments reported as cash equivalents	(7,335,253)			
	\$0			

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

**** The City's investment in the State Investment Pool 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.

◆ The Reserve Contingency Fund was established from the State Investment Pool LGIP's remaining position in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset and, as such, a WAM cannot be calculated. The remaining balance of the fund has been written off in accordance with the states determination that any future distributions are not likely.

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.

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.

Foreign Currency Risk – Deposits and Investments – 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.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. PLEDGED COLLATERAL

	U.S. Bank	Grants State Bank	Wells Fargo
Cash in bank, per June 30, 2014 (Note 2)	\$84,106	\$4,416,795	\$37,997
Certificates of deposit (Note 2)	0	0	2,300,000
Less: FDIC coverage	(84,106)	(250,000)	(287,997)
Uninsured public funds	0	4,166,795	2,050,000
50% collateral requirements	0	2,083,398	1,025,000
Pledged securities	0	3,555,000	1,040,104
Over (under) collateralized	\$0	\$1,471,602	\$15,104

Securities are held at Federal Home Loan Bank Dallas (Dallas, Texas).

<u>Grants State Bank</u>			<u>Par Value</u>
Santa Fe Cnty NM BQ None	801889LR5	07/01/2019	\$750,000
Grants & Cibola County SD Non-Call	388240EJ8	11/15/2017	200,000
Grants & Cibola County SD GO	388240FR9	04/15/2019	500,000
Las Vegas NM City Sch Dist BQ	51778FCF4	07/15/2015	250,000
Lea Cnty NM Pub Sch Dist. BQ NC	521513AD3	07/15/2014	200,000
Southern Sandoval NM Flood BQ	843789EYO	08/01/2023	200,000
Taos NM Gross Receipts BQ Call	87601RAL4	06/01/2023	300,000
West Las Vegas SD FR	953769GM2	12/01/2015	105,000
West Las Vegas NM BQ	953769JK3	07/15/2015	100,000
Estancia NM Muni SD #7 BQ	297326FC9	06/15/2017	250,000
Albuquerque NM Muni SD #12 GO	013595LL5	08/01/2021	700,000
Total Pledged			\$3,555,000

Securities are held at The Independent Bankers Bank (Dallas, Texas).

<u>Wells Fargo Bank</u>			<u>Market Value</u>
FN AB6498 3.0% (FNMA-PT)	31417DGG2	10/01/2042	\$1,032,858
FN AJ5319 4.0% (FNMA-PT)	3138AW4D2	11/01/2041	7,246
Total Pledged			\$1,040,104

Securities are held at the Bank of New York (New York, New York).

Custodial Credit Risk – Deposits

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, 2014, \$1,621,691 of the government's bank balances of \$4,538,898 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,621,691
Uninsured and collateralized held by a member bank other than the depositing bank.	4,595,104
	<u>\$6,216,795</u>

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4. CAPITAL ASSETS

Capital asset activity for the City's primary government for the year ended June 30, 2014 was as follows:

	Balance 06/30/2013	Restatements	Additions	Deletions	Transfers	Balance 06/30/2014
Governmental Activities:						
Capital Assets:						
Non-Depreciable:						
Art	\$122,897	\$0	\$0	\$0	\$0	\$122,897
Land	3,420,503	0	0	0	0	3,420,503
Construction in process	3,059,241	777,435	3,098,008	0	(2,021,691)	4,912,993
Depreciable:						
Buildings	12,105,867	(1,382)	0	0	80,994	12,185,479
Land improvements	5,765,420	0	58,519	0	(9,039)	5,814,900
Machinery and equipment	6,949,879	(81,474)	318,436	0	92,617	7,279,458
Infrastructure	25,660,008	0	80,000	0	1,072,811	26,812,819
<i>Total</i>	<i>57,083,815</i>	<i>694,579</i>	<i>3,554,963</i>	<i>0</i>	<i>(784,308)</i>	<i>60,549,049</i>
Less Accumulated Depreciation:						
Buildings	(4,012,129)	0	(276,008)	0	0	(4,288,137)
Land improvements	(1,467,513)	0	(133,783)	0	0	(1,601,296)
Machinery and equipment	(5,217,547)	61,336	(373,718)	0	(11,675)	(5,541,604)
Infrastructure	(5,047,456)	0	(519,052)	0	0	(5,566,508)
<i>Total accumulated depreciation</i>	<i>(15,744,645)</i>	<i>61,336</i>	<i>(1,302,561)</i>	<i>0</i>	<i>(11,675)</i>	<i>(16,997,545)</i>
<i>Net capital assets</i>	<i>\$41,339,170</i>	<i>\$755,915</i>	<i>\$2,252,402</i>	<i>\$0</i>	<i>(\$795,983)</i>	<i>\$43,551,504</i>

Depreciation expense for governmental activities is \$1,302,561 for the year.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Balance 06/30/2013	Restatements	Additions	Deletions	Transfers	Balance 06/30/2014
Business-Type Activities:						
Capital Assets:						
Non-Depreciable:						
Land	\$2,309,374	\$0	\$0	\$0	\$0	\$2,309,374
Construction in process	328,909	(239,084)	0	0	0	89,825
Idle assets	392,602	0	0	0	0	392,602
Water rights	125,612	0	0	0	0	125,612
Depreciable:						
Buildings	2,060,549	0	1,998	0	0	2,062,547
Land improvements	4,068,226	0	0	0	9,039	4,077,265
Machinery and equipment	3,182,498	13,176	71,365	(17,442)	134,279	3,383,876
Infrastructure	26,832,166	239,084	0	0	640,990	27,712,240
<i>Total</i>	<i>39,299,936</i>	<i>13,176</i>	<i>73,363</i>	<i>(17,442)</i>	<i>784,308</i>	<i>40,153,341</i>
Less Accumulated Depreciation:						
Buildings	(999,288)	0	(51,552)	0	0	(1,050,840)
Land improvements	(665,329)	0	(128,189)	0	0	(793,518)
Machinery and equipment	(2,570,674)	0	(242,474)	17,442	11,675	(2,784,031)
Infrastructure	(18,023,488)	(1,793)	(404,905)	0	0	(18,430,186)
<i>Total accumulated depreciation</i>	<i>(22,258,779)</i>	<i>(1,793)</i>	<i>(827,120)</i>	<i>17,442</i>	<i>11,675</i>	<i>(23,058,575)</i>
<i>Net capital assets</i>	<i>\$17,041,157</i>	<i>\$11,383</i>	<i>(\$753,757)</i>	<i>\$0</i>	<i>\$795,983</i>	<i>\$17,094,766</i>

Depreciation expense for business-type activities is \$827,120 for the year.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business-Type Activities
General Government	\$1,122,924	\$0
Public Safety	95,016	0
Health and Welfare	84,621	0
Water	0	299,944
Sewer	0	359,320
Golf	0	134,096
Housing	0	33,760
<i>Total</i>	<i>\$1,302,561</i>	<i>\$827,120</i>

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CHANGES IN LONG-TERM DEBT

The following summarized the changes in the long-term debt for government activities during 2014:

	Balance 06/30/2013	Restatements	Additions	Deletions/ Transfers	Balance 06/30/2014	Amount Due Within One Year
Bond payable	\$145,000	\$0	\$0	(\$145,000)	\$0	\$0
Notes payable	340,748	0	0	(49,754)	290,994	49,896
NMFA – fire truck	53,115	0	0	(53,115)	0	0
NMFA – fire truck	0	0	265,831	0	265,831	52,419
NMFA – street sweeper	163,478	0	0	(40,565)	122,913	40,728
Accrued compensated absences	292,078	0	173,956	(189,326)	276,708	0
OPEB - liability	388,290	0	150,758	0	539,048	0
Totals	\$1,382,709	\$0	\$590,545	(\$477,760)	\$1,495,494	\$143,043

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.

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%

Amortized as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$49,896	\$14,176	\$64,072
2016	55,043	11,801	66,844
2017	60,194	9,147	69,341
2018	60,350	6,210	66,560
2019	65,511	3,242	68,753
Totals	\$290,994	\$44,576	\$335,570

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CHANGES IN LONG-TERM DEBT (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%

Amortized as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$52,419	\$2,323	\$54,742
2016	52,863	1,879	54,742
2017	53,106	1,636	54,742
2018	53,452	1,290	54,742
2019	53,991	750	54,741
Totals	\$265,831	\$7,878	\$273,709

Series: New Mexico Finance Authority
 Purpose: Purchase of Street Sweeper
 Date of Issue: August 17, 2012
 Original Issue: \$192,043
 Principal: May 1
 Interest: November 1 and May 1
 Rate: 1.23%

Amortized as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$40,728	\$445	\$41,173
2016	40,943	337	41,280
2017	41,242	188	41,430
Totals	\$122,913	\$970	\$123,883

The annual principal payment requirements for debt outstanding as of June 30, 2014, in governmental activities, are summarized as follows:

Fiscal Year Ending June 30,	Principal Payment
2015	\$143,043
2016	148,849
2017	154,542
2018	113,802
2019	119,502
Accrued compensation	276,708
	\$956,446

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

The following summarizes the changes in the Business-Type Activities Long-Term Debt during 2014:

	Balance 06/30/2013	Additions	Deletions/ Transfers	Balance 06/30/2014	Amount Due Within One Year
Notes payable	\$2,112,393	\$0	(\$370,154)	\$1,742,238	\$398,048
Leases payable	135,125	0	(82,190)	52,935	52,935
Accrued compensated absences	67,019	39,934	(45,537)	63,416	1,377
<i>Totals</i>	\$2,314,537	\$39,934	(\$497,881)	\$1,858,589	\$452,360

Notes outstanding reported in the Proprietary Fund at June 30, 2014, consist of the following:

New Mexico Environmental Department Loan

Purpose: Construction and Acquisition of Equipment for Waste Water Treatment Plant
Original Issue: \$6,600,000
Principal: August 15
Interest: August 15
Rates 3.00%

Amortized as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$377,557	\$31,123	\$408,680
2016	385,108	23,572	408,680
2017	392,810	15,870	408,680
2018	400,667	8,013	408,680
<i>Totals</i>	\$1,556,142	\$78,578	\$1,634,720

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

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
 Rates: Zero plus .25% administrative fee

Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee)		Total
		Interest		
2015	\$16,550	\$739		\$17,289
2016	8,306	339		8,645
2017	8,327	318		8,645
2018	8,348	297		8,645
2019	8,369	276		8,645
2020 – 2024	42,160	1,066		43,226
2025 – 2029	42,687	536		43,223
2030 – 2031	17,223	65		17,288
<i>Totals</i>	\$151,970	\$3,636		\$155,606

New Mexico Finance Authority – 152 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
 Rates: Zero plus .25% administrative fee

Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee)		Total
		Interest		
2015	\$3,941	\$165		\$4,106
2016	1,977	75		2,052
2017	1,982	71		2,053
2018	1,987	66		2,053
2019	1,992	60		2,052
2020 – 2024	10,035	228		10,263
2025 – 2029	10,163	102		10,265
2030	2,049	5		2,054
<i>Totals</i>	\$34,126	\$772		\$34,898

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

Bank of the West - Lease

Purpose: To Purchase Golf Carts
 Original Issue: \$234,842
 Principal: Monthly
 Interest: Monthly
 Rate: 5.75%

Amortized as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$44,786	\$214	\$45,000

Grants State Bank - Lease

Purpose: To Purchase Golf Course Equipment
 Original Issue: \$178,151
 Principal: Monthly
 Interest: Monthly
 Rate: 5.723%

Amortized as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$8,149	\$49	\$8,198

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

The following summarizes the combined aggregate maturities for long-term borrowing in the Proprietary Fund for the years following June 30, 2014:

June 30,	<u>Principal Payment</u>
2015	\$450,983
2016	395,391
2017	403,119
2018	411,002
2019	10,361
2020 – 2024	52,195
2025 – 2029	52,850
2030 – 2031	19,272
Accrued compensation – long-term	63,416
<i>Total</i>	<u>\$1,858,589</u>

Lease Purchase Contracts

At June 30, 2014 the City had machinery and equipment capitalized under purchase agreements, as follows:

Machinery and equipment	<u>\$513,444</u>
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Of the total interest cost incurred on long-term debt of \$59,660 none was capitalized at June 30, 2014.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. INTERFUND TRANSACTIONS

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

<u>Interfund Transfers In (Out)</u>	<u>Transfers Out</u>			Totals
	General Fund	Nonmajor Governmental Funds	Utilities	
Transfers In:				
General governmental improvements	\$700,000	\$750,000	\$142,770	\$1,592,770
Nonmajor governmental funds	766,071	516,168	0	1,282,239
Utilities	141,738	0	458,680	600,418
Golf course	0	0	475,000	475,000
Totals	\$1,607,809	\$1,266,168	\$1,076,450	\$3,950,427

<u>Capital Transfers In (Out)</u>	<u>Transfers Out</u>			Totals
	General Governmental Improvements	Utilities		
Transfers In:				
General governmental improvements	\$0	\$2,436		\$2,436
Utilities	798,419	35,789		834,208
Golf course	0	8,206		8,206
Totals	\$798,419	\$46,431		\$844,850

<u>Due From (to) Other Funds</u>	<u>Due To</u>			
	General Governmental Improvements	Nonmajor Governmental Funds	Utilities	Totals
Due From:				
General fund	\$2,090,000	\$15,000	\$10,675	\$2,115,675
Nonmajor proprietary funds	0	4,162	0	4,162
Utilities	168,438	0	0	168,438
Totals	\$2,258,438	\$19,162	\$10,675	\$2,288,275

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the City of Grants' full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 10.65% (ranges from 3.83% to 16.65% depending upon the plan - i.e., municipal general, municipal police, municipal fire) of their gross salary, police contribute 8.50% and fire employees contribute 9.50%. The City of Grants is required to contribute 9.15% (ranges from 7.0% to 25.72% depending upon the plan) for other employees of the gross covered salary, police contribute 18.5% and fire employees contribute 17.5%. The contribution requirements of plan members and the City of Grants are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Grants' contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$345,160, \$351,413, and \$341,454, respectively, which equal the amount of the required contributions for each fiscal year.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014) 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, 2014.

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	\$150,758	\$388,290	\$539,048

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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
6/30/2012	\$150,758	\$31,992	21.22%	\$269,529
6/30/2013	\$150,758	\$31,992	21.22%	\$388,290
6/30/2014	\$150,758	\$0	0%	\$539,048

D. Funded 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	\$42,502	\$1,113,491	\$1,070,989	3.82%	\$2,879,712	37.19%

E. Disclosure of Information about Actuarial Methods and Assumptions

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, 2014

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

Summary of Actuarial Methods and Assumptions	
Actuarial cost method	Projected Unit Credit
Asset Valuation method	Market
Actuarial assumptions:	
Annual investment return assumption (discount rate) ¹	4.00%
Projected annual salary increases	N/A
Weighted-average at valuation date	N/A
Annual Healthcare Trend Rates ^{1,2}	8.50% 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 the date of termination will continue to receive benefits until they reach Medicare eligibility age.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Grant Audit

The City receives Federal and State Grants for specific purposes that are subject to review and audit by the funding agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City management, such disallowances, if any, will not be significant.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10. 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:

Net Working Capital:

Enterprise Fund:

Utility	\$2,060,103
Low Rent	\$36,165
Golf Course	\$7,448

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

General Government Improvements	(\$827,260)
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The deficit will be funded by future funding and general fund transfers.

Excess of fund actual expenditures or transfers out over budget:

General Fund – Transfers Out	(\$871,002)
General Government Improvements	(\$287,563)
Cibola Senior Center	(\$26,942)
Fire Protection	(\$4,412)
GRT Street & Parks Improvements – Transfers out	(\$750,000)
Senior Employment Program	(\$2,724)
Senior Library Donation Fund	(\$2,347)
GRT Revenue Bond Reserve Fund 1993A = Transfer out	(\$149,894)
NMFA Reserve Fund – Transfers out	(\$186)
Low Rent	(\$8,166)

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11. SURETY BOND

Surety bonds are in force per the following schedule:

<u>Insurance Company</u>	<u>Type of Bond</u>	<u>Coverage From - To</u>	<u>Coverage Limits</u>
Western Surety	Blanket Position	10/01/2013 09/30/2014	\$10,000 each on 43 positions including Cashiers, Mayor, Councilmen, City Manager, Judge, various Directors, Secretaries, Clerks, etc.
Western Surety	PE Position Schedule (1)	08/25/2013 08/24/2014	City Manager - \$50,000 Municipal Judge - \$50,000
Chartis	Airport Premises Legal Liability Medical Payments	07/01/2013 06/30/2014	\$1,000,000 each occurrence \$50,000 each A/C, \$100,000 each occurrence, \$2,500 ded \$1,000 each person

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. FUND BALANCE CLASSIFICATIONS

The City has defined fund balance classifications for governmental funds as follows:

Nonspendable Fund Balance – includes amounts that by their nature are not expendable such as inventories, prepaids and long-term notes receivable.

Restricted Fund Balance – includes amounts that have constraints placed on their use which are:

externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

OR

imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in 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 Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the City’s Council. These committed amounts cannot be used for any other purposes unless the government removes or changes the specified use by resolution (the same type of action taken to commit the funds).

Assigned Fund Balance – includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Council, a finance or budget committee, or the City Manager to which the Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – includes amounts in the General Fund that have not been classified in any other fund balance category noted above.

Hierarchy of Application of Expenditures

The City will apply restricted resources first when an expenditure is incurred for which both restricted and unrestricted fund balance or net position is available.

The City will apply committed resources first, then assigned, then unassigned when an expenditure is incurred for which amounts in any of these unrestricted fund balance classifications could be used.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. FUND BALANCE CLASSIFICATIONS (CONTINUED)

The classification of governmental fund balances is as follows:

	Major Funds			Total
	General Fund	Capital Projects Fund-GGI	Other Funds	
Fund Balances:				
Nonspendable:				
Inventory	\$0	\$0	\$0	\$0
Restricted for:				
Cemetery care	0	0	116,749	116,749
Health and social services	0	0	18,811	18,811
Streets and parks	0	0	2,137,553	2,137,553
Housing	0	0	37,373	37,373
Fire protection	0	0	2,301	2,301
Library	0	0	17,906	17,906
Law enforcement and corrections	0	0	153,092	153,092
Recreation and promotion	0	0	249,277	249,277
Debt service	0	0	517,320	517,320
Assigned To:				
Senior activities	0	0	47,408	47,408
Retiree healthcare	42,502	0	0	42,502
Unassigned	8,125,647	(827,260)	0	7,298,387
<i>Total fund balances</i>	\$8,168,149	(\$827,260)	\$3,297,790	\$10,638,679

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is a member of 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 \$431,193 for the year ended June 30, 2014.

NOTE 14. OPERATING LEASES

The City of Grants has entered into one thirty-six (36) month operating lease with Tricon Group Ltd./IBM covering an "IBM Power 7 Server and Peripherals", calling for initial monthly payments of \$1,418 beginning April 1, 2012 and \$1,491 during the fiscal year ended June 30, 2014.

The City of Grants has entered into five, forty-eight (48) month operating leases with Ricoh Business Solutions for copiers and peripherals in various locations with varying monthly payment amounts as follows:

- Ricoh Aficio MP C2050 – monthly payments of \$138 (lease term beginning September 1, 2010)
- Ricoh Aficio MP C2551sp – monthly payments of \$275 (lease term beginning August 1, 2012)
- Ricoh Aficio MP 7001sp – monthly payments of \$438 (lease term beginning June 1, 2011)
- Ricoh Aficio MP 2851sp – monthly payments of 120 (lease term beginning February 1, 2012)
- Ricoh Aficio MP C6501sp – average monthly payments of \$671 (lease term beginning November 1, 2012)

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$31,305
2016	12,192
<i>Total</i>	\$43,497

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

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15. SEGMENT INFORMATION

The City issued revenue bonds to finance the construction and improvements of the water and waste water (sewer) facilities. Both the water and sewer departments are accounted for in the utilities fund, which also accounts for refuse services. However, the revenue bonds rely solely on the revenue generated by the water and sewer activities for repayment. Summary financial information for the water and sewer departments is presented below.

CONDENSED STATEMENT OF NET POSITION

	Water	Sewer
Assets:		
Current assets	(\$3,305,846)	(\$393,443)
Restricted assets	645,850	370,370
Capital assets	9,201,247	6,607,679
<i>Total assets</i>	6,541,251	6,584,606
Liabilities:		
Current liabilities	299,173	252,091
Noncurrent liabilities	1,002,263	598,617
<i>Total liabilities</i>	1,301,436	850,708
Net position:		
Net investment in capital assets	8,237,521	5,829,167
Restricted	410,846	370,370
Unrestricted	(3,408,552)	(465,639)
<i>Total net position</i>	\$5,239,815	\$5,733,898

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Water	Sewer
Water/sewer charges, pledged against bonds	\$2,104,889	\$2,245,378
Depreciation expense	(299,943)	(359,321)
Operating expense	(2,486,058)	(1,840,250)
<i>Operating income</i>	(681,112)	45,807
Interest income	1,337	1,337
Miscellaneous income	1,627	0
Interest expense and other debt expense	(19,263)	(19,263)
Operating transfers, net	(158,678)	(158,677)
Capital transfers, net	590,833	196,944
<i>Change in net position</i>	(265,256)	66,148
Beginning net position, as previously stated	5,621,293	5,514,390
Restatements	(116,222)	153,360
Beginning net position, as restated	5,505,071	5,667,750
<i>Ending net position</i>	\$5,239,815	\$5,733,898

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15. SEGMENT INFORMATION (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

	Water	Sewer
Net Cash Provided (Used) By:		
Operating activities	(\$426,545)	\$270,373
Noncapital financing activities	(157,051)	(158,677)
Capital and related financing activities	276,288	(756,334)
Investing activities	1,337	1,337
<i>Net increase (decrease)</i>	(305,971)	643,301
Beginning cash and cash equivalents	(2,726,844)	276,520
Ending cash and cash equivalents	(\$3,032,815)	(\$366,781)
Cash and Cash Equivalents:		
Cash (included in current assets)	(\$3,678,665)	(\$737,151)
Cash (restricted assets)	645,850	370,370
	(\$3,032,815)	(\$366,781)

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16. RESTATEMENTS

Beginning equity was restated for the following:

	Funds Statements	Government Wide Statements
Governmental Funds/Governmental Activities:		
Nonmajor Governmental Funds		
NMFA correct prior cash held in trust	\$19,253	\$19,253
Correction of prior year capital assets	0	755,915
	\$19,253	\$775,168
Proprietary Funds/Business Type Activities:		
Utilities		
Correction of prior year accounts payable	\$25,755	\$25,755
Correction of accumulated depreciation	(1,793)	(1,793)
Correction of capital assets	13,176	13,176
Nonmajor proprietary fund		
Low Rent – Correction of accounts payable	3,194	3,194
	\$40,332	\$40,332

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 17. COMMITMENTS

The City had outstanding construction contracts at June 30, 2014 of \$553,350 with various contractors.

NOTE 18. ENABLING LEGISLATION

In 2010/2011, the City of Grants enacted enabling legislation to create a special gross receipts tax. The legislation specified that the proceeds of this tax could be used only to finance street and parks improvements. The City determined that the restriction was legally enforceable. The government-wide statement of net position prepared by the City for the year ended June 30, 2014, included the following information:

Net position restricted for:	
Street and parks improvement	\$1,561,684

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRANTS
RETIREE HEALTH CARE PLAN – SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2014

	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>
A. Schedule of Funding Progress			
1. Actuarial Valuation Date	July 1, 2010	July 1, 2010	July 1, 2010
2. Actuarial Value of Assets	\$31,992	\$63,984	\$42,502
3. Actuarial Accrued Liability	\$1,113,491	\$1,113,491	\$1,113,491
4. Unfunded Actuarial Accrued Liability (3 - 2)	\$1,081,499	\$1,049,507	\$1,070,989
5. Funded Ratio (2/3)	2.87%	6.10%	3.82%
6. Annual Covered Payroll	\$2,735,798	\$2,959,872	\$2,879,712
7. Ratio of UAAL to Covered Payroll (4/6)	39.53%	35.46%	37.19%

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. 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.

SUPPLEMENTARY INFORMATION

CITY OF GRANTS
SPECIAL REVENUE FUNDS
JUNE 30, 2014

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.

CITY OF GRANTS
SPECIAL REVENUE FUNDS
JUNE 30, 2014

Special Revenue Funds (Continued)

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.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection	Foster Grandparents
ASSETS					
Cash	\$116,749	\$37,339	\$4,579	\$7,235	\$359
Accounts receivable	0	14,711	0	0	0
Grant revenue receivable	0	0	0	0	5,295
Total assets	\$116,749	\$52,050	\$4,579	\$7,235	\$5,654
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$4,934	\$0
Accrued payroll	0	4,642	0	0	0
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	0	0	0	0	0
Total liabilities	0	4,642	0	4,934	0
Fund Balance:					
Restricted	116,749	0	4,579	2,301	5,654
Assigned	0	47,408	0	0	0
Unassigned	0	0	0	0	0
Total fund balance	116,749	47,408	4,579	2,301	5,654
Total liabilities and fund balance	\$116,749	\$52,050	\$4,579	\$7,235	\$5,654

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program	Housing Authority Vouchers	Juvenile Recreation
ASSETS					
Cash	\$638,035	\$1,561,684	\$0	\$42,906	\$92,507
Accounts receivable	17,834	0	0	0	0
Grant revenue receivable	0	0	0	0	0
Total assets	\$655,869	\$1,561,684	\$0	\$42,906	\$92,507
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$80,000	\$0	\$0	\$612	\$0
Accrued payroll	0	0	0	759	0
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	0	0	0	4,162	0
Total liabilities	80,000	0	0	5,533	0
Fund Balance:					
Restricted	575,869	1,561,684	0	37,373	92,507
Assigned	0	0	0	0	0
Unassigned	0	0	0	0	0
Total fund balance	575,869	1,561,684	0	37,373	92,507
Total liabilities and fund balance	\$655,869	\$1,561,684	\$0	\$42,906	\$92,507

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	Law Enforcement Protection	Litter Control and Beautification	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional
ASSETS					
Cash	\$34,452	\$22	\$58,768	\$96,380	\$57,143
Accounts receivable	27,800	6,500	0	45,283	0
Grant revenue receivable	0	0	0	0	0
Total assets	\$62,252	\$6,522	\$58,768	\$141,663	\$57,143
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$7,252	\$0	\$9,058	\$0	\$42,036
Accrued payroll	0	0	0	0	0
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	0	6,500	0	0	0
Total liabilities	7,252	6,500	9,058	0	42,036
Fund Balance:					
Restricted	55,000	22	49,710	141,663	15,107
Assigned	0	0	0	0	0
Unassigned	0	0	0	0	0
Total fund balance	55,000	22	49,710	141,663	15,107
Total liabilities and fund balance	\$62,252	\$6,522	\$58,768	\$141,663	\$57,143

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	Senior Companion Program	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
ASSETS					
Cash	\$374	\$94	\$17,906	\$48,382	\$2,814,914
Accounts receivable	0	6,249	0	0	118,377
Grant revenue receivable	10,969	0	0	0	16,264
Total assets	\$11,343	\$6,343	\$17,906	\$48,382	\$2,949,555
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$0	\$143,892
Accrued payroll	0	630	0	0	6,031
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	4,500	4,000	0	0	19,162
Total liabilities	4,500	4,630	0	0	169,085
Fund Balance:					
Restricted	6,843	1,713	17,906	48,382	2,733,062
Assigned	0	0	0	0	47,408
Unassigned	0	0	0	0	0
Total fund balance	6,843	1,713	17,906	48,382	2,780,470
Total liabilities and fund balance	\$11,343	\$6,343	\$17,906	\$48,382	\$2,949,555

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection	Foster Grandparents
REVENUES					
Intergovernmental - federal	\$0	\$125,239	\$0	\$0	\$0
Intergovernmental - state	0	173,436	9,486	156,634	70,700
Intergovernmental - other	0	32,401	0	0	0
Lodgers' tax	0	0	0	0	0
State shared taxes and municipal taxes	0	0	0	0	0
Fees	0	17,850	0	0	0
Investment income	151	0	0	6	0
Sales of property	13,180	0	0	0	0
Donations	0	0	0	0	0
Miscellaneous	0	4,512	0	0	0
<i>Total revenues</i>	13,331	353,438	9,486	156,640	70,700
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	0	5,507	104,345	0
Public works	0	0	0	0	0
Health and welfare	537	389,377	0	0	70,700
Culture and recreation	0	0	0	0	0
Capital outlay	0	0	0	0	0
<i>Total expenditures</i>	537	389,377	5,507	104,345	70,700
<i>Excess (deficiency) of revenues over expenditures</i>	12,794	(35,939)	3,979	52,295	0
Other Financing Sources (Uses):					
Operating transfers in	0	50,000	0	0	0
Operating transfers (out)	0	0	0	(54,416)	0
<i>Total other financing sources (uses)</i>	0	50,000	0	(54,416)	0
<i>Net change in fund balance</i>	12,794	14,061	3,979	(2,121)	0
Fund balance, beginning of year, as previously stated	103,955	33,347	27,800	4,422	5,654
Restatements	0	0	(27,200)	0	0
Fund balance, beginning of year, as restated	103,955	33,347	600	4,422	5,654
<i>Fund balance (deficit), end of year</i>	\$116,749	\$47,408	\$4,579	\$2,301	\$5,654

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program	Housing Authority Vouchers	Juvenile Recreation
REVENUES					
Intergovernmental - federal	\$0	\$0	\$0	\$270,718	\$0
Intergovernmental - state	0	0	0	0	0
Intergovernmental - other	0	0	0	0	0
Lodgers' tax	0	0	0	0	0
State shared taxes and municipal taxes	110,284	0	0	0	0
Fees	0	0	0	0	0
Investment income	771	1,025	0	0	134
Sales of property	0	0	0	0	0
Donations	0	0	0	0	0
Miscellaneous	0	0	0	2,628	0
<i>Total revenues</i>	111,055	1,025	0	273,346	134
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	0	0	0	0
Public works	0	0	0	0	0
Health and welfare	0	0	0	219,117	0
Culture and recreation	0	0	0	0	0
Capital outlay	80,000	0	0	0	0
<i>Total expenditures</i>	80,000	0	0	219,117	0
<i>Excess (deficiency) of revenues over expenditures</i>	31,055	1,025	0	54,229	134
Other Financing Sources (Uses):					
Operating transfers in	0	566,265	0	0	0
Operating transfers (out)	(41,618)	(750,000)	0	0	0
<i>Total other financing sources (uses)</i>	(41,618)	(183,735)	0	0	0
<i>Net change in fund balance</i>	(10,563)	(182,710)	0	54,229	134
Fund balance, beginning of year, as previously stated	586,432	1,744,394	0	(16,856)	92,373
Restatements	0	0	0	0	0
Fund balance, beginning of year, as restated	586,432	1,744,394	0	(16,856)	92,373
<i>Fund balance (deficit), end of year</i>	\$575,869	\$1,561,684	\$0	\$37,373	\$92,507

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Law Enforcement Protection	Litter Control and Beautification	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional
REVENUES					
Intergovernmental - federal	\$0	\$0	\$0	\$0	\$0
Intergovernmental - state	27,800	6,500	0	0	0
Intergovernmental - other	0	0	0	0	0
Lodgers' tax	0	0	0	372,582	0
State shared taxes and municipal taxes	0	0	0	0	0
Fees	0	0	39,877	0	0
Investment income	0	0	0	46	0
Sales of property	0	0	0	0	0
Donations	0	0	0	0	0
Miscellaneous	0	0	0	0	0
<i>Total revenues</i>	27,800	6,500	39,877	372,628	0
EXPENDITURES					
Current:					
General government	0	0	0	49,148	0
Public safety	16,614	0	112,535	0	0
Public works	0	0	0	0	0
Health and welfare	0	6,073	0	0	0
Culture and recreation	0	0	0	0	303,485
Capital outlay	5,544	0	0	0	0
<i>Total expenditures</i>	22,158	6,073	112,535	49,148	303,485
<i>Excess (deficiency) of revenues over expenditures</i>	5,642	427	(72,658)	323,480	(303,485)
Other Financing Sources (Uses):					
Operating transfers in	0	0	80,000	0	270,000
Operating transfers (out)	0	0	0	(270,000)	0
<i>Total other financing sources (uses)</i>	0	0	80,000	(270,000)	270,000
<i>Net change in fund balance</i>	5,642	427	7,342	53,480	(33,485)
Fund balance, beginning of year, as previously stated	22,158	(405)	42,368	88,183	48,592
Restatements	27,200	0	0	0	0
Fund balance, beginning of year, as restated	49,358	(405)	42,368	88,183	48,592
<i>Fund balance (deficit), end of year</i>	\$55,000	\$22	\$49,710	\$141,663	\$15,107

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Senior Companion Program	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
REVENUES					
Intergovernmental - federal	\$0	\$0	\$0	\$0	\$395,957
Intergovernmental - state	81,693	34,724	0	0	560,973
Intergovernmental - other	0	0	0	0	32,401
Lodgers' tax	0	0	0	0	372,582
State shared taxes and municipal taxes	0	0	0	0	110,284
Fees	0	0	0	0	57,727
Investment income	0	0	23	0	2,156
Sales of property	0	0	0	0	13,180
Donations	0	0	510	0	510
Miscellaneous	0	0	0	0	7,140
<i>Total revenues</i>	81,693	34,724	533	0	1,552,910
EXPENDITURES					
Current:					
General government	0	0	0	0	49,148
Public safety	0	0	0	0	239,001
Public works	0	0	0	0	0
Health and welfare	80,660	34,626	0	0	801,090
Culture and recreation	0	0	2,347	0	305,832
Capital outlay	0	0	0	0	85,544
<i>Total expenditures</i>	80,660	34,626	2,347	0	1,480,615
<i>Excess (deficiency) of revenues over expenditures</i>	1,033	98	(1,814)	0	72,295
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	966,265
Operating transfers (out)	0	0	0	0	(1,116,034)
<i>Total other financing sources (uses)</i>	0	0	0	0	(149,769)
<i>Net change in fund balance</i>	1,033	98	(1,814)	0	(77,474)
Fund balance, beginning of year, as previously stated	5,810	1,615	19,720	48,382	2,857,944
Restatements	0	0	0	0	0
Fund balance, beginning of year, as restated	5,810	1,615	19,720	48,382	2,857,944
<i>Fund balance (deficit), end of year</i>	\$6,843	\$1,713	\$17,906	\$48,382	\$2,780,470

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
CEMETERY PERPETUAL CARE FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Sale of lots	\$10,000	\$10,000	\$13,180	\$3,180
Interest on investments	0	0	151	151
Donations	0	0	0	0
<i>Total revenues</i>	10,000	10,000	13,331	3,331
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	537	(537)
Capital outlay	5,000	5,000	0	5,000
<i>Total expenditures</i>	5,000	5,000	537	4,463
<i>Excess (deficiency) of revenues over expenditures</i>	\$5,000	\$5,000	\$12,794	\$7,794

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$12,794
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	\$12,794

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
CIBOLA SENIOR CITIZENS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$297,400	\$297,400	\$339,576	\$42,176
Fees and charges	16,600	16,600	17,850	1,250
Other revenue	1,000	1,000	4,512	3,512
<i>Total revenues</i>	315,000	315,000	361,938	46,938
EXPENDITURES				
Personnel	212,770	212,770	224,227	(11,457)
Operating	152,230	152,230	167,715	(15,485)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	365,000	365,000	391,942	(26,942)
<i>Excess (deficiency) of revenues over expenditures</i>	(50,000)	(50,000)	(30,004)	19,996
Other Financing Sources (Uses):				
Operating transfers in	50,000	50,000	50,000	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	50,000	50,000	50,000	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	\$19,996	\$19,996

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$19,996
Adjustments for revenue accruals	(8,500)
Adjustments for expenditures accruals	2,565
Net change in fund balance	\$14,061

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
EMERGENCY MEDICAL SERVICES FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$9,516	\$9,516	\$9,486	(\$30)
Interest on investments	0	0	0	0
<i>Total revenues</i>	9,516	9,516	9,486	(30)
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	5,507	(5,507)
Capital outlay	9,500	9,500	0	9,500
<i>Total expenditures</i>	9,500	9,500	5,507	3,993
<i>Excess (deficiency) of revenues over expenditures</i>	\$16	\$16	\$3,979	\$3,963

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$3,979
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	\$3,979

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
FIRE PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$156,626	\$156,634	\$156,634	\$0
Miscellaneous	0	0	0	0
Interest on investments	0	0	6	6
<i>Total revenues</i>	156,626	156,634	156,640	6
EXPENDITURES				
Personnel	0	0	0	0
Operating	70,000	70,000	92,162	(22,162)
Capital outlay	25,000	25,000	7,250	17,750
<i>Total expenditures</i>	95,000	95,000	99,412	(4,412)
<i>Excess (deficiency) of revenues over expenditures</i>	61,626	61,634	57,228	(4,406)
Other Financing Sources (Uses):				
Operating transfers (out)	(54,408)	(54,408)	(54,416)	(8)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$7,218	\$7,226	\$2,812	(\$4,414)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,812
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(4,933)
Net change in fund balance	(\$2,121)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
FOSTER GRANDPARENTS PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$70,700	\$70,700	\$71,125	\$425
EXPENDITURES				
Personnel	25,680	25,680	60,079	(34,399)
Operating	45,020	45,020	10,621	34,399
Capital outlay	0	0	0	0
<i>Total expenditures</i>	70,700	70,700	70,700	0
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$425	\$425

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$425
Adjustments for revenue accruals	(425)
Adjustments for expenditures accruals	0
Net change in fund balance	\$0

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GASOLINE ROAD TAX FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Property tax	0	0	0	0
State shared taxes	105,000	105,000	92,450	(12,550)
Interest on investments	0	0	771	771
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	105,000	105,000	93,221	(11,779)
EXPENDITURES				
Personnel	0	0	0	0
Operating	180,000	180,000	0	180,000
Capital outlay	0	0	0	0
<i>Total expenditures</i>	180,000	180,000	0	180,000
<i>Excess (deficiency) of revenues over expenditures</i>	(75,000)	(75,000)	93,221	168,221
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	(41,867)	(41,867)	(41,618)	249
<i>Total other financing sources (uses)</i>	(41,867)	(41,867)	(41,618)	249
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(116,867)	(116,867)	<u>\$51,603</u>	<u>\$168,470</u>
Budgeted cash carryover	116,867	116,867		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	\$51,603
Adjustments for revenue accruals, transfers, earnings on investments	17,834
Adjustments for expenditures for payables, inventory, other expenditure accruals	(80,000)
Net change in fund balance	<u>(\$10,563)</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GRT STREET & PARKS IMPROVEMENTS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$0	\$0	\$1,025	\$1,025
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	0	0
Capital outlay	800,000	800,000	0	800,000
<i>Total expenditures</i>	800,000	800,000	0	800,000
<i>Excess (deficiency) of revenues over expenditures</i>	(800,000)	(800,000)	1,025	801,025
Other Financing Sources (Uses):				
Operating transfers in	500,000	500,000	566,265	66,265
Operating transfers (out)	0	0	(750,000)	(750,000)
<i>Total other financing sources (uses)</i>	500,000	500,000	(183,735)	(683,735)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(300,000)	(300,000)	(182,710)	\$117,290
Budgeted cash carryover	300,000	300,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$182,710)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	(\$182,710)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
HOUSING AUTHORITY CAPITAL FUNDS PROGRAM
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Interest on investments	0	0	0	0
<i>Total revenues</i>	0	0	0	0
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	0	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0
Other Financing Sources (Uses):				
Operating transfers (out)	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	\$0	\$0

Note: The budget used is only a guideline and is not required by HUD to be amended.

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$0
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	\$0

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
HOUSING AUTHORITY VOUCHERS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$270,718	\$270,718	\$270,718	\$0
Interest on investments	0	0	0	0
Miscellaneous income	0	0	2,628	2,628
<i>Total revenues</i>	270,718	270,718	273,346	2,628
EXPENDITURES				
Personnel	24,030	24,030	10,803	13,227
Operating	12,650	12,650	9,669	2,981
Housing assistance payments	246,993	246,993	198,645	48,348
Capital outlay	0	0	0	0
<i>Total expenditures</i>	283,673	283,673	219,117	64,556
<i>Excess (deficiency) of revenues over expenditures</i>	(12,955)	(12,955)	\$54,229	\$67,184
Budgeted cash carryover	12,955	12,955		
	\$0	\$0		

Note: The budget used is only a guideline and is not required by HUD to be amended.

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$54,229
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	\$54,229

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
JUVENILE RECREATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes	\$0	\$0	\$0	\$0
Interest on investments	0	0	134	134
<i>Total revenues</i>	0	0	134	134
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	0	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	<u>\$134</u>	<u>\$134</u>
Budgeted cash carryover	0	0		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$134
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	<u><u>\$134</u></u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LAW ENFORCEMENT PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$27,800	\$27,800	\$27,200	(\$600)
Miscellaneous	0	0	0	0
Interest on investments	0	0	0	0
<i>Total revenues</i>	27,800	27,800	27,200	(600)
EXPENDITURES				
Personnel	0	0	0	0
Operating	15,800	15,800	9,362	6,438
Capital outlay	34,000	34,000	5,543	28,457
<i>Total expenditures</i>	49,800	49,800	14,905	34,895
<i>Excess (deficiency) of revenues over expenditures</i>	(22,000)	(22,000)	\$12,295	\$34,295
<i>Budgeted cash carryover</i>	22,000	22,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$12,295
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	\$12,295

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LITTER CONTROL AND BEAUTIFICATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$7,000	\$7,000	\$6,832	(\$168)
EXPENDITURES				
Personnel	7,000	7,000	0	7,000
Operating	0	0	6,500	(6,500)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	7,000	7,000	6,500	500
Excess (deficiency) of revenues over expenditures	\$0	\$0	\$332	\$332

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$332
Adjustments for revenue accruals	(332)
Adjustments for expenditures accruals	(427)
Net change in fund balance	(\$427)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LOCAL GOVERNMENT CORRECTIONS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Court fees	\$35,000	\$35,000	\$39,877	\$4,877
Interest on investments	0	0	0	0
<i>Total revenues</i>	35,000	35,000	39,877	4,877
EXPENDITURES				
Personnel	0	0	0	0
Operating	150,000	150,000	103,477	46,523
Capital outlay	0	0	0	0
<i>Total expenditures</i>	150,000	150,000	103,477	46,523
Excess (deficiency) of revenues over expenditures	(115,000)	(115,000)	(63,600)	51,400
Other Financing Sources (Uses):				
Operating transfers (in)	80,000	120,000	80,000	(40,000)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(35,000)	\$5,000	\$16,400	\$11,400
<i>Budgeted cash carryover</i>	35,000			
	\$0			

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$16,400
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(9,058)
Net change in fund balance	\$7,342

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LODGERS' TAX FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Lodgers' tax	\$350,000	\$350,000	\$360,918	\$10,918
Interest on investments	0	0	46	46
<i>Total revenues</i>	350,000	350,000	360,964	10,964
EXPENDITURES				
Personnel	0	0	0	0
Operating	50,000	50,000	49,148	852
Capital outlay	0	0	0	0
<i>Total expenditures</i>	50,000	50,000	49,148	852
<i>Excess (deficiency) of revenues over expenditures</i>	300,000	300,000	311,816	11,816
Other Financing Sources (Uses):				
Operating transfers (out)	(382,300)	(382,300)	(270,000)	112,300
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(82,300)	(82,300)	\$41,816	\$124,116
Budgeted cash carryover	54,564	54,564		
	(\$27,736)	(\$27,736)		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$41,816
Adjustments for revenue accruals	11,664
Adjustments for expenditures accruals	0
Net change in fund balance	\$53,480

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LODGERS' TAX PROMOTIONAL FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES	\$0	\$0	\$0	\$0
EXPENDITURES				
Personnel	0	0	0	0
Operating	332,300	332,300	298,172	34,128
Capital outlay	0	0	0	0
<i>Total expenditures</i>	332,300	332,300	298,172	34,128
<i>Excess (deficiency) of revenues over expenditures</i>	(332,300)	(332,300)	(298,172)	34,128
Other Financing Sources (Uses):				
Operating transfers in	332,300	332,300	270,000	(62,300)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	(\$28,172)	(\$28,172)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$28,172)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(5,313)
Net change in fund balance	(\$33,485)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SENIOR COMPANION PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$81,693	\$81,693	\$84,093	\$2,400
EXPENDITURES				
Personnel	65,354	65,354	65,746	(392)
Operating	16,339	16,339	15,947	392
Capital outlay	0	0	0	0
<i>Total expenditures</i>	81,693	81,693	81,693	0
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$2,400	\$2,400

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,400
Adjustments for revenue accruals	(2,400)
Adjustments for expenditures accruals	1,033
Net change in fund balance	\$1,033

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SENIOR EMPLOYMENT PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$32,000	\$32,000	\$33,518	\$1,518
EXPENDITURES				
Personnel	32,000	32,000	33,432	(1,432)
Operating	0	0	1,292	(1,292)
<i>Total expenditures</i>	32,000	32,000	34,724	(2,724)
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	(\$1,206)	(\$1,206)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$1,206)
Adjustments for revenue accruals	1,206
Adjustments for expenditures accruals	98
Net change in fund balance	\$98

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SPECIAL LIBRARY DONATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Donations	\$0	\$0	\$510	\$510
Interest on investments	0	0	23	23
<i>Total revenues</i>	0	0	533	533
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	2,347	(2,347)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	0	0	2,347	(2,347)
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	(\$1,814)	(\$1,814)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$1,814)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	(\$1,814)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
STATE AND LOCAL NARCOTICS ASSISTANCE CONTROL PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Miscellaneous	0	0	0	0
<i>Total revenues</i>	0	0	0	0
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	0	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	\$0	\$0
Budgeted cash carryover	0	0		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$0
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net change in fund balance	\$0

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
DEBT SERVICE FUNDS
JUNE 30, 2014

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.

GRT Revenue Bond Reserve Fund 1993A – To accumulate funds per refunding bond agreement to insure future payment.

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
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve	NMFA Loan	NMFA Reserve	Totals
ASSETS					
Cash	\$302,280	\$0	\$15	\$0	\$302,295
Cash held with trustee	0	0	131,263	83,762	215,025
Total assets	\$302,280	\$0	\$131,278	\$83,762	\$517,320
LIABILITIES AND FUND BALANCE					
Liabilities	\$0	\$0	\$0	\$0	\$0
Fund Balance:					
Restricted	302,280	0	131,278	83,762	517,320
Total fund balance	302,280	0	131,278	83,762	517,320
Total liabilities and fund balance	\$302,280	\$0	\$131,278	\$83,762	\$517,320

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve	NMFA Loan	NMFA Reserve	Totals
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$0
Investment income	2	0	33	360	395
<i>Total revenues</i>	2	0	33	360	395
EXPENDITURES					
Debt Service:					
Principal	145,000	0	143,434	0	288,434
Interest	2,255	0	18,879	0	21,134
Fees	181	0	852	0	1,033
<i>Total expenditures</i>	147,436	0	163,165	0	310,601
Excess (deficiency) of revenues over expenditures	(147,434)	0	(163,132)	360	(310,206)
Other Financing Sources (Uses):					
Operating transfers in	149,894	0	166,080	0	315,974
Operating transfers (out)	0	(149,894)	0	(240)	(150,134)
<i>Total other financing sources (uses)</i>	149,894	(149,894)	166,080	(240)	165,840
<i>Net changes in fund balances</i>	2,460	(149,894)	2,948	120	(144,366)
Fund balance, beginning of year, as previously stated	299,820	149,894	128,330	64,389	642,433
Restatements	0	0	0	19,253	19,253
Fund balance, beginning of year, as restated	299,820	149,894	128,330	83,642	661,686
<i>Fund balance, end of year</i>	\$302,280	\$0	\$131,278	\$83,762	\$517,320

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GRT REVENUE BOND DEBT SERVICE FUND 1993A
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$0	\$0	\$2	\$2
EXPENDITURES				
Paying agent fees	1,250	1,250	181	1,069
Bond interest	11,861	11,861	2,255	9,606
Bond principal	231,403	231,403	145,000	86,403
<i>Total expenditures</i>	<u>244,514</u>	<u>244,514</u>	<u>147,436</u>	<u>97,078</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(244,514)	(244,514)	(147,434)	97,080
Other Financing Sources (Uses):				
Operating transfers in	108,041	108,041	149,894	41,853
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>108,041</u>	<u>108,041</u>	<u>149,894</u>	<u>41,853</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(136,473)	(136,473)	<u>\$2,460</u>	<u>\$138,933</u>
Budgeted cash carryover	136,473	136,473		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,460
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$2,460</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GRT REVENUE BOND RESERVE FUND 1993A
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest	\$0	\$0	\$0	\$0
EXPENDITURES				
Management fees	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	(149,894)	(149,894)
<i>Total other financing sources (uses)</i>	0	0	(149,894)	(149,894)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	(\$149,894)	(\$149,894)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$149,894)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$149,894)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NMFA LOAN FUND
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest/Investment income	\$0	\$0	\$34	\$34
EXPENDITURES				
Principal	231,403	231,403	143,434	87,969
Interest	11,862	11,862	18,879	(7,017)
Fees	1,250	1,250	852	398
<i>Total expenditures</i>	244,515	244,515	163,165	81,350
<i>Excess (deficiency) of revenues over expenditures</i>	(244,515)	(244,515)	(163,131)	81,384
Other Financing Sources (Uses):				
Loan proceeds - NMFA	0	0	0	0
Operating transfers in	108,041	108,041	166,081	58,040
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	108,041	108,041	166,081	58,040
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(136,474)	(136,474)	\$2,950	\$58,040
Budgeted cash carryover	128,330	128,330		
	(\$8,144)	(\$8,144)		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,950
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$2,950

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NMFA RESERVE FUND
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$0	\$0	\$277	\$277
EXPENDITURES				
Principal	0	0	0	0
Interest	0	0	0	0
Fees	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	277	277
Other Financing Sources (Uses):				
Operating transfers (out)	0	0	(186)	(186)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	\$91	\$91

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$91
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$91

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2014

	Special Revenue	Debt Service	Total
ASSETS			
Cash	\$2,814,914	\$302,295	\$3,117,209
Cash held with trustee	0	215,025	215,025
Accounts receivable	118,377	0	118,377
Grant revenue receivable	16,264	0	16,264
Total assets	\$2,949,555	\$517,320	\$3,466,875
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$143,892	\$0	\$143,892
Accrued payroll	6,031	0	6,031
Accrued compensated absences - ST	0	0	0
Due to other funds	19,162	0	19,162
Total liabilities	169,085	0	169,085
Fund Balances:			
Restricted	2,695,667	517,320	3,212,987
Assigned	47,408	0	47,408
Unassigned	37,395	0	37,395
Total fund balances	2,780,470	517,320	3,297,790
Total liabilities and fund balances	\$2,949,555	\$517,320	\$3,466,875

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue	Debt Service	Total
REVENUES			
Intergovernmental - federal	\$395,957	\$0	\$395,957
Intergovernmental - state	560,973	0	560,973
Intergovernmental - other	32,401	0	32,401
State shared and municipal taxes	110,284	0	110,284
Lodgers' tax	372,582	0	372,582
Fees	57,727	0	57,727
Investment income	2,156	395	2,551
Sales of property	13,180	0	13,180
Donations	510	0	510
Miscellaneous	7,140	0	7,140
<i>Total revenues</i>	1,552,910	395	1,553,305
EXPENDITURES			
Current:			
General government	49,148	0	49,148
Public safety	239,001	0	239,001
Public works	80,000	0	80,000
Health and welfare	801,090	0	801,090
Culture and recreation	305,832	0	305,832
Capital outlay	5,544	0	5,544
Debt Service:			
Principal	0	288,434	288,434
Interest	0	21,134	21,134
Fees	0	1,033	1,033
<i>Total expenditures</i>	1,480,615	310,601	1,791,216
<i>Excess (deficiency) of revenues over expenditures</i>	72,295	(310,206)	(237,911)
Other Financing Sources (Uses):			
Operating transfers in	966,265	315,974	1,282,239
Operating transfers (out)	(1,116,034)	(150,134)	(1,266,168)
<i>Total other financing sources (uses)</i>	(149,769)	165,840	16,071
<i>Net changes in fund balances</i>	(77,474)	(144,366)	(221,840)
Fund balance, beginning of year, as previously stated	2,857,944	642,433	3,500,377
Restatements	0	19,253	19,253
Fund balance, beginning of year, as restated	2,857,944	661,686	3,519,630
<i>Fund balance, end of year</i>	\$2,780,470	\$517,320	\$3,297,790

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
CAPITAL PROJECTS FUNDS
JUNE 30, 2014

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 – Accounts for construction and improvement funds received from various sources for the improvement of City properties.

CITY OF GRANTS
GENERAL GOVERNMENT IMPROVEMENTS
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$3,409,889	\$3,409,889	\$2,039,203	(\$1,370,686)
Other	10,000	10,000	33,694	23,694
Rental revenue	0	0	8,053	8,053
<i>Total revenues</i>	<u>3,419,889</u>	<u>3,419,889</u>	<u>2,080,950</u>	<u>(1,338,939)</u>
EXPENDITURES				
Current:				
Capital outlay	3,580,251	3,580,251	3,867,814	(287,563)
<i>Total expenditures</i>	<u>3,580,251</u>	<u>3,580,251</u>	<u>3,867,814</u>	<u>(287,563)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(160,362)	(160,362)	(1,786,864)	(1,626,502)
Other Financing Sources (Uses):				
Operating transfers in	537,000	537,000	1,592,770	1,055,770
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>537,000</u>	<u>537,000</u>	<u>1,592,770</u>	<u>1,055,770</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$376,638</u>	<u>\$376,638</u>	<u>(\$194,094)</u>	<u>(\$570,732)</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$194,094)
Adjustments for revenue accruals	(118,723)
Other financing sources (uses)	(329,344)
Adjustments for expenditures accruals	827,124
<u>Net change in fund balance</u>	<u>\$184,963</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
ENTERPRISE FUNDS
JUNE 30, 2014

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.

Low Rent – A direct HUD-funded program designed to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly through an authorized Public Housing Authority (PHA) or Indian Housing Authority (IHA).

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

CITY OF GRANTS
NONMAJOR PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2014

	Low Rent
ASSETS	
Current Assets:	
Cash and cash equivalents	\$39,143
Investments	0
Accounts receivable tenants (net of allowance of \$0)	914
Accounts receivable	0
Interest receivable	0
Prepaid insurance	0
Due from other funds	4,162
<i>Total current assets</i>	44,219
Capital Assets	
Capital assets - not depreciated	46,724
Capital assets - depreciated	1,154,645
Less accumulated depreciation	(705,691)
<i>Net capital assets</i>	495,678
Total assets	\$539,897
LIABILITIES	
Current Liabilities:	
Accounts payable	\$1,104
Accrued payroll	2,333
Due to other funds	0
Other deferred credits	0
Tenant security deposits	4,250
Tenants prepaid rent	367
Compensated absences - current portion	0
<i>Total current liabilities</i>	8,054
Non-Current Liabilities:	
Accrued compensated absences	1,971
Leases payable - long-term portion	0
<i>Total noncurrent liabilities</i>	1,971
<i>Total liabilities</i>	10,025
Net Position:	
Net investment in capital assets	495,678
Unrestricted	34,194
<i>Total fund net position</i>	529,872
Total liabilities and fund net position	\$539,897

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Low Rent
OPERATING REVENUES	
Rental income	\$27,926
<i>Total operating revenues</i>	<i>27,926</i>
OPERATING EXPENSES	
Operating expenses	95,606
Depreciation	33,760
<i>Total operating expenses</i>	<i>129,366</i>
 <i>Operating income (loss)</i>	 <i>(101,440)</i>
NON-OPERATING REVENUE AND (EXPENSES)	
Federal grants and subsidies	35,247
Interest earnings	1
Other	1,958
Loss on asset disposals	0
<i>Total non-operating revenue and (expenses)</i>	<i>37,206</i>
 <i>Net income (loss) before contributions and transfers</i>	 <i>(64,234)</i>
Operating transfers in	0
Operating transfers (out)	0
Capital transfers in	0
Capital transfers (out)	0
 <i>Change in net position</i>	 <i>(64,234)</i>
Total fund net position, at beginning of year, previously stated	590,912
Restatement	3,194
Total fund net position, at beginning of year, restated	594,106
 <i>Total fund net position, at end of year</i>	 <i>\$529,872</i>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Low Rent
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers (including other funds)	\$28,136
Cash paid to suppliers	(38,919)
Cash paid to employees	(55,295)
<i>Net cash provided (used) by operating activities</i>	(66,078)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grants and subsidies	35,247
Advances (to) from other funds	27,557
Transfers in (out)	0
Non tenant income	0
<i>Net cash provided (used) by noncapital financing activities</i>	62,804
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment, net of trades	(1,998)
Disposition of assets	0
Lease proceeds	0
Capital transfers (in) out	0
Loss on asset disposal	(926)
Principal paid: revenue bonds/lease purchase/advances	0
Grants and subsidies	1,958
Other income	0
<i>Net cash provided (used) by capital and related financing activities</i>	(966)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	1
<i>Net cash provided (used) by investing activities</i>	1
<i>Net increase (decrease) in cash</i>	(4,239)
Cash and restricted cash, beginning of year	43,382
<i>Cash and restricted cash, end of year</i>	\$39,143
Non Cash Transactions:	
Capital assets transferred in (out)	\$0

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Low Rent
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	(\$101,440)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	33,760
Provision for uncollectible accounts	0
Change in assets and liabilities:	
(Increase) Decrease in assets:	
Accounts receivables	309
Inventories	0
Other deferred charges	(99)
Prepays and deposits	20
Increase (Decrease) in liabilities:	
Accounts and contracts payable	339
Wages payable	1,336
Compensated absences	447
Other deferred credits and Tenant deposits	(750)
Tenants prepaid rent	0
<i>Total adjustments</i>	35,362
<i>Net cash provided (used) by operating activities</i>	<i>(\$66,078)</i>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOLF COURSE OPERATING FUND
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Golf course fees	\$255,000	\$255,000	\$236,939	(\$18,061)
Rental income	0	0	713	713
Other	0	0	3,900	3,900
<i>Total revenues</i>	255,000	255,000	241,552	(13,448)
OPERATING EXPENSES				
Personnel	442,080	442,080	332,741	109,339
Operating	360,552	360,552	388,514	(27,962)
Capital outlay	10,000	10,000	0	10,000
<i>Total operating expenses</i>	812,632	812,632	721,255	91,377
<i>Operating income (loss)</i>	(557,632)	(557,632)	(479,703)	77,929
Non-Operating Revenue (Expenses)				
Transfers in	485,000	485,000	475,000	(10,000)
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	485,000	485,000	475,000	(10,000)
<i>Net income (loss) after transfers</i>	(72,632)	(72,632)	(\$4,703)	\$67,929
<i>Budgeted cash carryover</i>	72,632	72,632		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Net income (loss) after transfers	(\$4,703)
Adjustments for revenue accruals	0
Capital transfers	8,206
Adjustments for expense accruals	(47,903)
<i>Change in net position (GAAP) Basis</i>	(\$44,400)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LOW RENT
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Rental income	\$51,170	\$51,170	\$27,926	(\$23,244)
<i>Total revenues</i>	51,170	51,170	27,926	(23,244)
OPERATING EXPENSES				
Personnel	39,730	39,730	52,904	(13,174)
Operating	47,710	47,710	42,702	5,008
Capital outlay	0	0	0	0
<i>Total operating expenses</i>	87,440	87,440	95,606	(8,166)
<i>Operating income (loss)</i>	(36,270)	(36,270)	(67,680)	(31,410)
Non-Operating Revenue (Expenses)				
HUD grants and subsidy	25,650	25,650	35,247	9,597
Interest	100	100	1	(99)
Other	500	500	1,958	1,458
Transfers in	29,858	29,858	0	(29,858)
<i>Total non-operating revenue (expenses)</i>	56,108	56,108	37,206	(18,902)
<i>Net income (loss) after non-operating revenue</i>	\$19,838	\$19,838	(\$30,474)	(\$50,312)

Note: The budget is used only as a guideline and is not required by HUD to be amended.

Budgetary - GAAP Reporting Reconciliation:

Net income (loss) after non-operating revenue	(\$30,474)
Adjustments for revenue accruals	0
Adjustments for expense accruals and depreciation	(33,760)
Change in net position (GAAP) Basis	(\$64,234)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
UTILITIES
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Refuse collection	\$1,580,000	\$1,580,000	\$1,703,449	\$123,449
Water sales (net)	1,910,000	1,910,000	1,981,192	71,192
Sewer charges	2,009,000	2,009,000	2,037,212	28,212
Total government tax	274,000	274,000	300,993	26,993
Other	273,000	273,000	301,696	28,696
<i>Total revenues</i>	<u>6,046,000</u>	<u>6,046,000</u>	<u>6,324,542</u>	<u>278,542</u>
OPERATING EXPENSES				
Public works	5,324,000	5,324,000	4,969,718	354,282
Capital outlay	876,000	876,000	241,044	634,956
<i>Total operating expenses</i>	<u>6,200,000</u>	<u>6,200,000</u>	<u>5,210,762</u>	<u>989,238</u>
<i>Operating income (loss)</i>	<u>(154,000)</u>	<u>(154,000)</u>	<u>1,113,780</u>	<u>1,267,780</u>
Non-Operating Revenue (Expenses)				
Interest income	9,000	9,000	371	(8,629)
Transfers in	908,680	908,680	600,418	(308,262)
Transfers (out)	(1,893,680)	(1,893,680)	(1,076,450)	817,230
Interest expense	(59,354)	(59,354)	(38,526)	20,828
Principal payments	(498,073)	(498,073)	(370,154)	127,919
Debt service fees	(3,500)	(3,500)	0	3,500
<i>Total non-operating revenue (expenses)</i>	<u>(1,536,927)</u>	<u>(1,536,927)</u>	<u>(884,341)</u>	<u>652,586</u>
<i>Net income (loss)</i>	<u>(1,690,927)</u>	<u>(1,690,927)</u>	<u>\$229,439</u>	<u>\$1,920,366</u>
Budgeted cash carryover	1,690,927	1,690,927		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Net income (loss)	\$229,439
Adjustments for revenue accruals	(119,573)
Capital transfers in (out) - net	584,533
Adjustments for expense accruals, depreciation and principal payments	113,376
<i>Change in net position (GAAP) Basis</i>	<u>\$807,775</u>

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRANTS
AGENCY FUNDS
JUNE 30, 2014

FIDUCIARY FUND TYPES

Agency Funds

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
ALL AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014
Appearance Bond Fund:				
Assets				
Petty cash	\$500	\$0	\$0	\$500
Cash in bank	20,402	20,099	18,308	22,193
	<u>\$20,902</u>	<u>\$20,099</u>	<u>\$18,308</u>	<u>\$22,693</u>
Liabilities				
Deposits held for others	\$20,902	\$20,099	\$18,308	\$22,693
Senior Activity Account:				
Assets				
Cash in bank	\$1,817	\$509	\$1,011	\$1,315
Liabilities				
Funds held for Seniors	\$1,817	\$509	\$1,011	\$1,315
Total Agency Funds:				
Assets				
Petty cash	\$500	\$0	\$0	\$500
Cash in bank	22,219	20,608	19,319	23,508
<i>Total assets</i>	<u>\$22,719</u>	<u>\$20,608</u>	<u>\$19,319</u>	<u>\$24,008</u>
Liabilities				
Deposits held for others	\$22,719	\$20,608	\$19,319	\$24,008

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2013	Audit Responsibility	Revenues and Expenditures Reported on:
City of Grants NW New Mexico Solid Waste Authority	NW New Mexico Regional Solid Waste Authority	Solid waste disposal services	July 1, 2013 June 30, 2014	N/A	\$8,574	WM NM Solid Waste	REV: NW NMSW EXP: City of Grants
City of Grants County of Cibola Village of Milan	Village of Milan	Operation of Public Transit System	September 1, 2006 and Continuing	N/A	\$52,025	Village of Milan	REV: Village of Milan Lib. Sr. Anim Cibola County Cibola Transit Authority EXP: City of Grants
City of Grants County of Cibola Village of Milan	County of Cibola	Cibola Regional Communications Center	February 8, 2013 and Continuing	N/A	\$242,209	County of Cibola	REV: County of Cibola EXP: City of Grants

The Notes to Financial Statements are an integral part of these statements.

ADDITIONAL FEDERAL INFORMATION

CITY OF GRANTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or Unearned Revenue at June 30, 2013	Receipts	Expenditures	Accrued or Unearned Revenue at June 30, 2014
<u>U.S. Department of Health and Human Services</u>							
Passed through North Central New Mexico Economic Development District							
Special Programs for the Aging Title III B	93.044	Contract #2013-14 60015	\$51,578	\$7,670	(\$51,061)	\$51,578	\$8,187
Title III C	93.045		47,009	2,983	(47,634)	47,009	2,358
Area Agency on Aging		Contract					
Nutritional Service Incentive Program	93.053	No. 2013-14	26,652	0	(26,652)	26,652	0
<i>Total U.S. Department of Health and Human Services</i>			\$125,239	\$10,653	(\$125,347)	\$125,239	\$10,545
<u>U.S. Department of Housing and Urban Development</u>							
Passed through New Mexico Department of Finance and Administration							
Direct Funding:							
Low Rent Public Housing Operating Subsidy - Housing	14.850	NM030-00000114D	\$35,247	\$0	(\$35,247)	\$35,247	\$0
Section 8 Rental Voucher Program - Housing	14.871	NM030-00000114D	270,993	0	(270,993)	270,993	0
Public Housing Capital Fund	14.872	NM02P030501-13	28,300	0	0	0	0
Public Housing Capital Fund	14.872	NM02P030501-12	29,858	0	0	0	0
<i>Total U.S. Department of Housing and Urban Development</i>			\$364,398	\$0	(\$306,240)	\$306,240	\$0
<u>U.S. Department of Homeland Security</u>							
Passed through New Mexico Department Security and Emergency Management							
College Bridge Road	97.036	FEMA-4047-DRNM	\$81,745	\$0	\$0	\$331	\$331
George Hanosh Bridge	97.036	FEMA-4152-DR-NM	5,187	0	(5,187)	0	(5,187)
<i>Total U.S. Department of Homeland Security</i>			\$86,932	\$0	(\$5,187)	\$331	(\$4,856)

CITY OF GRANTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or Unearned Revenue at June 30, 2013	Receipts	Expenditures	Accrued or Unearned Revenue at June 30, 2014
U.S. Department of Transportation							
Passed through New Mexico Department of Transportation							
Operation Driving While Intoxicated (ODWI)	20.608	13-AL-64-039	\$10,400	\$3,908	(\$3,908)	\$0	\$0
Operation Driving While Intoxicated (ODWI)	20.608	14-AL-64-039	10,400	0	(1,696)	1,696	0
100 Days and Nights of Summer	20.600	13-PT-DS-039	2,175	0	(1,113)	1,113	0
100 Days and Nights of Summer	20.600	14-PT-DS-039	2,175	0	0	180	180
Federal Highway Administration	20.xxx	7506(001)	1,798,889	1,628,013	(822,865)	170,876	976,024
Federal Aviation Administration:							
AIP-Runway Safety Area	20.106	3-35-0020-013-2013	519,961	0	(519,456)	519,456	0
Total U.S. Department of Transportation			\$2,344,000	\$1,631,921	(\$1,349,038)	\$693,321	\$976,204
Total Federal Financial Assistance			\$2,920,569	\$1,642,574	(\$1,785,812)	\$1,125,131	\$981,893
Grant revenue receivable (page 12) (\$1,525,668 less state grant receivables of \$543,775)							\$981,893

N/A - Not Available

Basis of Presentation:

The above schedule of expenditures of federal awards includes the federal grant activity of City of Grants and is presented on the accrual basis of accounting.

This information in this schedule is presented in accordance with the requirements of OMB Circular A.133, "Audits of State, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Housing Authority of the City of Grants
Financial Data Schedule
6/30/2014

Line Item #	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	0	34,893	0	0	34,893
113	Cash - Other Restricted	0	0	42,906	0	42,906
114	Cash - Tenant Security Deposits	0	4,250	0	0	4,250
100	Total Cash	0	39,143	42,906	0	82,049
121	Accounts Receivable - PHA Projects	0	0	0	0	0
122	Due from HUD - Other Projects	0	0	0	0	0
124	Accounts Receivable - Other Government	0	0	0	0	0
125	Accounts Receivable - Miscellaneous	0	0	0	0	0
126	Accounts Receivable - Tenants	0	914	0	0	914
126.1	Allowance for Doubtful Accts - Tenants	0	0	0	0	0
126.2	Allowance for Doubtful Accts - Other	0	0	0	0	0
120	Total Receivables, Net of Allowance for Doubtfull Accts	0	914	0	0	914
132	Investments - Restricted	0	0	0	0	0
142	Prepaid Expenses and Other Assets	0	0	0	0	0
144	Inter Program Due From	0	4,162	0	0	4,162
150	Total Current Assets	0	44,219	42,906	0	87,125
161	Land	0	46,724	0	0	46,724
162	Buildings	0	1,460,505	0	0	1,460,505
163	Furniture, Equip & Machinery - Dwellings	0	20,412	0	0	20,412
164	Furniture, Equip & Machinery - Administration	0	33,523	8,814	0	42,337
165	Leasehold Improvements	0	43,531	0	0	43,531
166	Accumulated Depreciation	0	(985,729)	(8,814)	0	(994,543)
167	Construction in Progress	0	0	0	0	0
168	Infrastructure	0	0	0	0	0
160	Total Capital Assets, Net of Accumulated Deprec	0	618,966	0	0	618,966
180	Total Non-Current Assets	0	618,966	0	0	618,966
190	Total Assets	0	663,185	42,906	0	706,091
311	Bank Overdraft	0	0	0	0	0
312	Accounts Payable <= 90 Days	0	1,104	612	0	1,716
321	Accrued Wages/Payroll Taxes Payable	0	956	169	0	1,125
322	Accrued Compensated Absences - Current Portion	0	1,377	590	0	1,967
331	Accounts Payable - HUD PHA Programs	0	0	0	0	0
341	Tenant Security Deposits	0	4,250	0	0	4,250
342	Deferred Revenues	0	367	0	0	367
345	Other Current Liabilities	0	0	0	0	0
347	Inter Program - Due To	0	0	4,162	0	4,162
310	Total Current Liabilities	0	8,054	5,533	0	13,587
354	Accrued Compensated Absences - Non Current	0	1,971	845	0	2,816
350	Total Noncurrent Liabilities	0	1,971	845	0	2,816
300	Total Liabilities	0	10,025	6,378	0	16,403
508	Total Contributed Capital	0	0	0	0	0
508.1	Invested in Capital Assets, Net of Related Debt	0	618,966	0	0	618,966
511.1	Restricted Net Assets	0	0	36,528	0	36,528
512.1	Unrestricted Net Assets	0	34,194	0	0	34,194
513	Total Equity/Net Assets	0	653,160	36,528	0	689,688
600	Total Liabilities and Equity/Net Assets	0	663,185	42,906	0	706,091
70300	Net Tenant Rental Revenue	0	27,926	0	0	27,926
70400	Tenant Revenue - Other	0	1,847	0	0	1,847
70500	Total Tenant Revenue	0	29,773	0	0	29,773
70600	HUD PHA Operating Grants	0	35,247	272,963	58,158	366,368
70610	Capital Grants	0	0	0	0	0
71100	Investment Income - Unrestricted	0	1	0	0	1
71300	Proceed from Disposition of Assets Held for Sale	0	0	0	0	0
71310	Cost of Sale of Assets	0	0	0	0	0

Housing Authority of the City of Grants
Financial Data Schedule
6/30/2014

Line Item #	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
71400	Fraud Recovery	0	0	383	0	383
71500	Other Revenue	0	112	0	0	112
71600	Gain or Loss on Sale of Capital Assets	0	0	0	0	0
72000	Investment Income - Restricted	0	0	0	0	0
70000	Total Revenue	0	65,133	273,346	58,158	398,637
91100	Administrative Salaries	0	37,923	7,775	0	45,698
91200	Auditing Fees	0	0	0	0	0
91300	Management Fees	0	0	0	0	0
91310	Bookkeeping Fees	0	2,630	6,772	0	9,402
91400	Advertising and Marketing	0	117	0	0	117
91500	Employee Benefit Contributions - Administrative	0	13,913	2,835	0	16,748
91600	Office Expenses	0	10,384	926	0	11,310
91700	Legal Expenses	0	0	0	0	0
91800	Travel	0	3,016	390	0	3,406
91900	Other	0	1,719	1,267	0	2,986
91000	Total Operating - Administration	0	69,702	19,965	0	89,667
92400	Tenant Services - Other	0	0	0	0	0
92500	Total Tenant Services	0	0	0	0	0
93100	Water	0	1,026	0	0	1,026
93200	Electricity	0	2,016	0	0	2,016
93300	Gas	0	214	0	0	214
93800	Other Utilities Expense	0	0	0	0	0
93000	Total Utilities	0	3,256	0	0	3,256
94100	Ordinary Maint and Operations - Labor	0	2,320	0	0	2,320
94200	Ordinary Maint and Operations - Materials & Other	0	6,440	0	0	6,440
94300	Ordinary Maint and Operations - Contract Costs	0	5,903	0	0	5,903
94500	Employee Benefit Contributions - Ordinary Maintenance	0	171	0	0	171
94000	Total Maintenance and Operations	0	14,834	0	0	14,834
96110	Property Insurance	0	8,494	313	0	8,807
96130	Workmen's Compensation	0	0	0	0	0
96140	All Other Insurance	0	0	0	0	0
96100	Total Insurance Premiums	0	8,494	313	0	8,807
96200	Other General Expenses	0	0	0	0	0
96210	Compensated Absences	0	898	385	0	1,283
96400	Bad debt - Tenants	0	(1,575)	0	0	(1,575)
96000	Total Other General Expenses	0	(677)	385	0	(292)
96900	Total Operating Expenses	0	95,609	20,663	0	116,272
96900	Excess Operating Revenue over Operating Expenses	0	(30,476)	252,683	58,158	280,365
97300	Housing Assistance Payments	0	0	198,646	0	198,646
97350	HAP Portability-In	0	0	0	0	0
97200	Casualty Losses - Non-Capitalized	0	0	0	0	0
97400	Depreciation Expense	0	67,216	0	0	67,216
90000	Total Expenses	0	162,825	219,309	0	382,134
10010	Operating Transfers In	0	58,158	0	0	58,158
10020	Operating Transfers Out	0	0	0	(58,158)	(58,158)
10093	Transfers between Project and Program - In	0	0	0	0	0
10094	Transfers between Project and Program - Out	0	0	0	0	0
10100	Total Other Financing Sources (Uses)	0	58,158	0	(58,158)	0
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	0	(39,534)	54,037	0	14,503
11030	Beginning Equity	0	747,657	(17,509)	0	730,148
11040	Prior Period Adj, Equity Transfers, Correction of Errors	0	(54,963)	0	58,158	3,195
11170	Administrative Fee Equity	0	0	4,868	0	4,868
11180	Housing Assistance Payments Equity	0	0	31,727	0	31,727
11190	Unit Months Available		240			240
11210	Number of Unit Months Leased		238			238

**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. Tim Keller, 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, 2014, 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 January 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the City of Grants' 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.

Mr. Tim Keller, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
Page Two

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-001 2014-003, and 2013-004 (2013-04).

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 2014-002, 2014-003, 2013-004 (2013-04) and 2010-002 (2010-02).

The City of Grants' 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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

January 31, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mr. Tim Keller, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico

Report on Compliance for Each Major Federal Program

We have audited City of Grants' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Grants' major federal programs for the year ended June 30, 2014. City of Grants' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Grants' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Grants' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Mr. Tim Keller, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
Page Two

Opinion on Each Major Federal Program

In our opinion, City of Grants complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of City of Grants is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Grants' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Grants' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

January 31, 2015

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor’s Report issued:

Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

X Yes _____ No

Noncompliance material to financial statements noted?

_____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes X No

Type of Auditor’s Report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.106

Airport Improvement Program - Runway Safety Area

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee?

X Yes _____ No

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2014-001 Lodgers Tax Promotional - City Not Enforcing Compliance – Significant Deficiency

Statement of Condition – The City is not requiring contractors (7 of 10) to comply with their lodger’s tax agreement for the receipt of promotional funds. The City reimbursed one contractor for questionable entertainment. None of the contractors provided proof of insurance as required.

Rodeo Association:

- No Audited Financial Statements
- No Outcome Assessment Report

Grants Main Street:

- No Audited Financial Statements
- No Quarterly Reports
- No Outcome Assessment Report
- Reimbursement for “Sinful Entertainment”

Cibola County Gymkhana:

- Two Quarterly Reports Not Received
- No Audited Financial Statements
- No Outcome Assessment Report

Quadrathlon:

- No Quarterly Reports
- No Outcome Assessment Report

Mt. Taylor 50K:

- No Quarterly Reports
- No Outcome Assessment Report

Chamber of Commerce:

- No Quarterly Reports
- No Audited Financial Statements
- Compiled Statements Do Not Reflect Activity Submitted For Reimbursement
- No Outcome Assessment Report

NM Mining Museum:

- No Quarterly Reports
- No Audited Financial Statements
- No Outcome Assessment Report

Criteria – Lodger’s Tax Agreements signed by contractors to provide services for advertising, publicizing and promoting of tourist activities, and attractions within the City of Grants area require quarterly expenditure reports from the contractor, separate accounting of lodger’s tax funds, yearly financial audit reports, and satisfactory certificates of insurance naming the City as additional insured.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-001 Lodgers Tax Promotional - City Not Enforcing Compliance (Continued)

Cause – City’s desire to support promotional entities without appropriate enforcement of agreements that lack penalties for non-compliance.

Effect – Public funds may have been provided to contractors who lack good financial reporting and accountability practices. Public funds were used to provide entertainment that may have been inappropriate for the general public.

Recommendation – The City (including the lodger’s tax advisory board) should review compliance of contractors on a regular basis, especially at the time of proposals requesting new funding. They should also consider clarifying reporting requirements to include independently prepared complied financial statements for entities receiving funds below a certain amount (i.e. \$20,000) and audited financial statements in accordance with generally accepted accounting principles for entities receiving more than a certain amount (i.e. \$20,000). The city should consider funding penalties up to termination for continued non-compliance.

Management’s Response – The City will immediately begin regular reviews of compliance of contractors, sending out notices of non-compliance and clarify those requirements. Better communication will occur between the City staff and the Lodger’s Tax Advisory Board indicating which contractors are in compliance. It will be recommended to the Advisory Board that those entities not meeting the contract requirements have funding penalties up to termination for continued non-compliance.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-002 Procurement Violations – Compliance

Statement of Condition – We tested 20 disbursements for procurement compliance; the following exceptions were noted:

- Three instances where no written award notification was sent to bid award recipient. (\$105,000, \$10,368, \$45,862)
- Three instances where copy of bid/proposal advertisement was not maintained in file (only had advertisement request documentation). (\$45,862, \$29,748, \$105,000)
- Two instances where the specific “opening of bid” information- date, time, & place of bid opening were not included in bid proposal/specs. (\$45,862, \$25,434)
- Three instance where there was no documented evidence that procurement was approved by management (per staff: manager was approving PO’s in the system but there was no documentation to verify this; i.e., access logs, system documentation). (\$5,646, \$5,109, \$5,400)
- Two instance where the Invitation to Bid did not include evaluation criteria. (\$29,748, \$25,434)
- No manager approval/signature on purchase of fuel. (\$20,562)

Criteria –

- NMSA 13-1-108: “A contract solicited by competitive sealed bids shall be awarded with reasonable promptness by written notice to the lowest responsible bidder.”
- NMSA 13-1-104: “In the case of purchases made by other central purchasing offices, the invitation or notice shall be published at least once in a newspaper of general circulation in the area in which the central purchasing office is located.” Copies of the actual advertisement should always be kept in bid files in order to ensure procurement compliance.
- NMSA 13-1-103: “An invitation for bids shall be issued and shall include the specifications for the services, construction or items of tangible personal property to be procured, all contractual terms and conditions applicable to the procurement, the location where bids are to be received, the date, time and place of the bid opening and the requirements for complying with any applicable in-state preference provisions as provided by law.”
- City of Grants disbursement Procedures requires an approval signature on PO’s from the city manager (purchases <\$15,000) or approval from the city council (purchases ≥\$15,000).
- NMSA 13-1-105: “The invitation for bids shall set forth the evaluation criteria to be used.”

Cause – Lack of knowledge about city and state procurement guidelines due to change in personnel.

Effect – City of Grants is not compliant with its own purchasing procedures or the state procurement laws.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-002 Procurement Violations (Continued)

Recommendation – City personnel should receive training regarding procurement policy and procedure. The City of Grants should also consider adding a purchasing procedure to their policy for their “special bid awards” for the purchase of fuel.

Management’s Response – New and continuing staff will receive training regarding City procurement procedures and the appropriate process for conducting invitation to bids, awards and required follow-up documentation and record keeping. The City Manager with help from the Finance Director will monitor compliance.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-003 Project Documentation – Significant Deficiency and Compliance

Statement of Condition – The City’s project documentation lacks organization, completeness, and consistency. Project documentation is not reconciled to the accounting records on a regular basis.

Criteria – Good internal controls require consistent application of procedures to provide clear documentation to support construction in process and the related grant expenditures.

Cause – Change in personnel due to retirement; lack of training and initiative.

Effect – Incorrect capitalization of projects and potential grant non-compliance.

Recommendation – The City should establish and implement standard documentation for each project and establish reconciliation and communication processes between the accounting department and the projects coordination.

Management’s Response – The City Manager will work with the Special Projects Coordinator and other pertinent staff to ensure that staff are properly trained, understand the requirements and comply with organization, completeness and project documentation, to be reconciled with the accounting records on a regular basis.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2013-001 (2013-01) Lack of Controls over Travel and Per Diem – Significant Deficiency

Resolved and not repeated.

2013-002 (2013-02) Lack of Controls over Journal Entries – Significant Deficiency

Resolved and not repeated.

2013-003 (2013-03) Backdated Checks and Wire Transfers – Significant Deficiency

Resolved and not repeated.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2013-004 (2013-04) Legal Compliance with Budget – Significant Deficiency and Compliance

Repeated with modifications.

Statement of Condition – The City’s authorized budget was exceeded by actual expenditures or actual transfers. The City violated state statutes by exceeding the authorized budget within the following funds:

Fund	Budget Amount	Actual Amount	Over Expended
General Fund – Transfers Out	\$736,807	\$1,607,809	(\$871,002)
General Government Improvements	\$3,580,251	\$3,867,814	(\$287,563)
Cibola Senior Center	\$365,000	\$391,942	(\$26,942)
Fire Protection	\$95,000	\$99,412	(\$4,412)
GRT Street & Parks Improvements – Transfers out	\$0	\$750,000	(\$750,000)
Senior Employment Program	\$32,000	\$34,724	(\$2,724)
Senior Library Donation Fund	\$0	\$2,347	(\$2,347)
GRT Revenue Bond Reserve Fund 1993A – Transfer out	\$0	\$149,894	(\$149,894)
NMFA Reserve Fund – Transfers out	\$0	\$186	(\$186)
Low Rent	\$87,440	\$95,606	(\$8,166)

Criteria – Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. City officials and governing authorities have the obligation to follow applicable state statutes.

Cause – There was a substantial change in personnel at the City as a result of the retirement of the City Manager and three other senior personnel in key positions at or near the City’s prior fiscal year end.

Effect – Noncompliance with the New Mexico State Statutes could jeopardize future funding opportunities.

Recommendation – We suggest that management closely monitor expenditures and budget limitations to ensure compliance with budget restrictions.

Management’s Response – New and existing staff will be trained and gain knowledge related to state budget requirements. The City Manager and Finance Director will closely monitor expenditures and budget limitations to ensure compliance.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2012-001 (2012-01) Mismanagement of City Inventory Maintained by Contractor – Significant Deficiency

Resolved and not repeated.

2010-002 (2010-02) Audit Report Not Submitted Timely – Non Compliance

Repeated with modification.

Statement of Condition – The audit report for the year ended June 30, 2014 was not submitted timely.

Criteria – Audits of Municipalities must be submitted by December 3 in accordance with the New Mexico State Audit Rule 2.2.2 NMAC.

Cause – The audit was delayed due to a substantial change in personnel at the City as a result of the retirement of the City Manager and three other senior personnel in key positions at or near the City’s prior fiscal year end.

Effect – Noncompliance with New Mexico State Audit Rule 2.2.2 NMAC.

Recommendation – The City should implement a cross training program to better prepare for future staff departures.

Management’s Response – We concur with Kriegel/Gray/Shaw & Co., P.C.’s finding and recommendation.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

CITY OF GRANTS
EXIT CONFERENCE
JUNE 30, 2014

EXIT CONFERENCE:

The exit conference was held November 21, 2014 and was attended by the following:

From City of Grants:

Martin Hicks, Mayor
Laura Jaramillo, City Manager
Tammy Torrez, Director of Finance

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Lucio Luttrell, Staff Auditor
Rebecca Pott, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the City of Grants' personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.