

**STATE OF NEW MEXICO
CITY OF GRANTS**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2016

**STATE OF NEW MEXICO
CITY OF GRANTS**

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**STATE OF NEW MEXICO
CITY OF GRANTS**

OFFICIAL ROSTER

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>
Martin Hicks	Mayor
Michael Quintana	Mayor Pro-Tem
Manuel Vasquez	Councilor
Michael W Lewis	Councilor
Edwin E. Dickens, Jr.	Councilor
Cydni Reynolds	Councilor

ADMINISTRATIVE STAFF

Laura Jaramillo	City Manager
Tammy Torrez	Director of Finance

FINANCIAL SECTION



Independent Auditor's Report

6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Grants (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise, fiduciary funds and the budgetary comparisons for the major capital project fund, debt service funds, and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund 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 non-major governmental, non-major enterprise, and fiduciary funds of the City as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, debt service funds, and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Retiree Health Care Plan — Schedule of Funding Progress, and GASB 68 required supplemental schedules on pages 5 through 11 and pages 59 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Financial Data Schedule (FDS) as required by the U.S. Department of Housing and Urban Development, Schedule of Changes in Net Assets and Liabilities – Agency Fund, and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of

Expenditures, the Financial Data Schedule, Schedule of Changes in Net Assets and Liabilities – Agency Fund and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Schedule of Vendor Information as required by 2.2.2.10(A)(2)(g) NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of the City of Grants' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
December 15, 2016

**CITY OF GRANTS
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016.

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 \$1,730,495 less than the \$9,497,047 generated in taxes, other revenues, and transfers for governmental programs.
- In the City's business-type activities revenues and transfers decreased by 6% to \$6,837,693 while expenses decreased 9%.
- The general fund reported an decrease this year of \$127,647.

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 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
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 Airport.

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
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Summary of Net Position are shown below:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets & other assets	\$ 11,985,045	12,703,878	4,612,625	3,624,940	16,597,670	16,328,818
Capital & other long term	45,326,060	43,851,882	18,370,985	17,769,570	63,697,045	61,621,452
Total	<u>\$ 57,311,105</u>	<u>56,555,760</u>	<u>22,983,610</u>	<u>21,043,471</u>	<u>80,294,715</u>	<u>77,950,270</u>
Deferred Outflows of Resources:						
Pension related	\$ 882,013	421,044	96,449	24,059	978,462	445,103
Liabilities:						
Current & other liabilities	1,248,993	2,002,893	1,171,639	830,205	2,420,632	2,833,098
Long-term liabilities	6,152,138	4,815,194	1,571,583	1,182,701	7,723,721	5,997,895
Total	<u>7,401,131</u>	<u>6,818,087</u>	<u>2,743,222</u>	<u>2,012,906</u>	<u>10,144,353</u>	<u>8,830,993</u>
Deferred Inflows of Resources:						
Pension related	<u>129,088</u>	<u>1,226,313</u>	<u>19,490</u>	<u>90,896</u>	<u>148,578</u>	<u>1,317,209</u>
Net Position:						
Net investment in capital assets	44,938,214	43,315,187	16,085,345	15,404,963	61,023,559	60,064,340
Restricted net position	3,992,747	3,788,220	1,066,597	1,020,417	5,059,344	4,808,637
Unrestricted net position	1,731,938	1,828,997	3,165,405	2,889,387	4,897,343	3,374,194
Total net position	<u>\$ 50,662,899</u>	<u>48,932,404</u>	<u>20,317,347</u>	<u>19,314,767</u>	<u>70,980,246</u>	<u>68,247,171</u>

Capital assets (net of accumulated depreciation) make up 78% 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 the Governmental activities total liabilities have been increased by 8% due to a combination of an increase in accounts payable, netted with principal payments and an in net pension liability. Total assets have increased in 2016 predominantly due to increases in cash, accounts receivable and capital assets including construction in progress. Investment income increased in fiscal year 2016 due to increases in investment balances. These factors primarily affect the increase in current assets in 2016 compared to 2014.

Net position for business-type activities has increased by \$1,002,580, an increase of 5.2%. Overall, liabilities were reduced due to annual reductions in long-term debt and reductions in net pension liability. The city entered into a note payable in fiscal year 2016. In addition, capital assets increased (evidenced by capital transfers in) due to construction of utility projects.

**CITY OF GRANTS
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 2016 were \$9,846,159 and \$10,208,341 in 2015, a decrease of \$362,182 (3.5%) for comparative years. The majority of the difference is due to an increase in tax revenue.

Expenditures in the General Fund for fiscal year 2016 were \$7,933,195 and \$7,319,918 for fiscal year 2015, an increase of \$613,277 (8.4%). The increase in expenditures is slightly more than the decrease in revenue due primarily to a conscious effort to maintain expenditure levels. The General Fund fund balance decreased in 2016 in the amount of \$127,647 with expenditures exceeding revenues less transfers for an ending fund balance of \$9,960,939 as of June 30, 2016.

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 2016 the City accounted for \$274,172 in federal grant revenues and \$479,208 in state grants for total grant revenues of \$753,380. In fiscal year 2015 the total grant revenues of \$189,349 consisted of federal grant revenues of \$157,577 and state grant revenues of \$31,772.

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 2016 were \$2,924,854 with an additional capital transfer in for \$2,900,000. Expenditures in fiscal year 2015 were \$1,798,916 with an additional capital transfer out for \$367,615. The capital transfers were due to project grant 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 the 2016 fiscal year was \$6,714,317 and \$6,296,224 for 2015; an increase of \$418,093 (6.6%). The increase is attributable to variation in customer usage. Net position increased in 2016 versus 2015 by \$1,176,679. Operating expenses decreased in fiscal year 2016 compared to 2015 by \$798,727 (14%). The net income increase results predominately from capital assets transferred in from the general government improvement fund, increased revenue and decreased expenditures.

General Fund Budgetary Highlights

The City of Grants total actual expenditures on the budgetary basis for fiscal year 2016 were 4.5% under the budgeted expenditure amounts for the year. Public safety represents 39%, general government represents 41%, public works represents 9%, cultural and recreational represents 10% and capital outlay represents 1% of the General Fund expenditures.

The City's total state shared and municipal tax amount for fiscal year 2016 decreased by 20% from fiscal year 2015.

**CITY OF GRANTS
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

General Fund budgeted revenues and expenditures were not amended during the year. Adjustments were made only to operating transfers in/out.

Summary of Changes in Net Position are shown below:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Revenues:</u>						
<u>Programs Revenues:</u>						
Charges for services	\$ 1,445,967	1,480,303	7,133,697	6,638,278	8,579,664	8,118,581
Operating grants & contributions	1,166,171	1,109,644	212,319	52,406	1,378,490	1,162,050
Capital grants & contributions	842,839	189,349	-	-	842,839	189,349
<u>General Revenue:</u>						
Taxes	8,642,661	9,064,246	-	-	8,642,661	9,064,246
Investment income	16,596	11,100	7,020	4,765	23,616	15,865
Miscellaneous	185,661	84,621	136,786	22,406	322,447	107,027
Total	<u>\$ 12,299,895</u>	<u>11,939,263</u>	<u>7,489,822</u>	<u>6,717,855</u>	<u>19,789,717</u>	<u>18,657,118</u>
<u>Expenses:</u>						
General Government	\$ 4,751,484	4,063,056	-	-	4,751,484	4,063,056
Public Safety	3,577,563	3,276,027	-	-	3,577,563	3,276,027
Public Works	808,023	1,141,499	-	-	808,023	1,141,499
Health & Welfare	911,403	920,736	-	-	911,403	920,736
Culture & Recreation	1,158,099	1,075,175	-	-	1,158,099	1,075,175
Interest and fees on Long-term debt	14,956	18,117	24,478	-	39,434	18,117
Water, sewer and refuse	-	-	4,586,302	5,417,057	5,710,440	5,417,057
Golf	-	-	898,380	851,370	898,380	851,370
Rental	-	-	155,829	137,614	155,829	137,614
Airport	-	-	170,124	55,034	170,124	55,034
Total	<u>\$ 11,221,528</u>	<u>9,743,973</u>	<u>5,835,113</u>	<u>6,461,075</u>	<u>18,180,779</u>	<u>16,955,685</u>
Excess (deficiency) before						
Transfers	\$ 1,078,367	1,444,653	1,654,709	256,780	2,733,076	1,701,433
Transfers	652,129	(562,387)	(652,129)	562,387	-	-
Change in net position	1,730,496	882,266	1,002,580	819,167	2,733,076	1,701,433
Net position-						
July 1	48,932,404	52,694,689	19,314,767	18,808,473	68,247,171	71,503,162
Restatement		(4,644,551)		(312,873)		(4,957,424)
Net Position-						
July 1 as restated	48,932,404	48,050,138	19,314,767	18,495,600	68,247,171	66,545,738
Net position –						
June 30	<u>\$ 50,662,899</u>	<u>48,932,404</u>	<u>20,317,347</u>	<u>19,314,767</u>	<u>70,980,246</u>	<u>68,247,171</u>

**CITY OF GRANTS
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Government Activities

Revenue received from program and general activities was more than expenses for fiscal year 2016, which included capital grants where amounts expended have been capitalized.

Business-Type Activities

Business-type activities income before transfers increased the City's net position by \$1,444,653.

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 \$11,172,576, 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, 2016 amounted to \$45,242,002. 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 street and bridge improvements and machinery and equipment

Long-term Debt

The City's notes, bonds and leases payable as of June 30, 2016 is \$1,606,519, which decreased by \$274,366 from 2015. The decrease represents payments on outstanding debt. The majority of this amount is due to the outstanding loan amount of \$1,178,585 that was from the New Mexico Environmental Department, for construction and acquisition of equipment for a wastewater treatment plant facility previously constructed in 1992.

In accordance with GASB 68, total net pension liability for the City of \$5,790,633 as of June 30, 2016 has been recorded in the Statement of Net Position which represents a decrease from fiscal year 2015 net pension liability of \$3,922,767. OPEB liability increased by \$150,758 from FY 2015 to FY 2016.

More detailed information regarding these activities and funds is included in Note 5 and Note 7.

The City of Grants issued one long-term bond during the current fiscal year. The City has no general obligation bonds outstanding at June 30, 2016.

**CITY OF GRANTS
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Outstanding Bonds and Liabilities to Financial Institutions

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable						
Governmental	\$ 387,476	536,695	793,477	1,178,585	1,180,953	1,715,280
Revenue bonds	-	-	425,566	165,605	425,566	165,605
Total	<u>\$ 387,476</u>	<u>536,695</u>	<u>1,219,043</u>	<u>1,344,190</u>	<u>1,606,519</u>	<u>1,880,885</u>

Economic Factors

The City of Grants base gross receipts taxes which are the City's largest resource decreased by 4.7% from fiscal year 2015 to fiscal year 2016.

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.

BASIC FINANCIAL STATEMENTS

CITY OF GRANTS
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 10,141,584	3,866,796	14,008,380
Cash held with trustee	224,384	-	224,384
Accounts receivable, net	77,968	504,997	582,965
Grant revenue receivable	303,434	-	303,434
Taxes and franchise receivable	1,225,566	-	1,225,566
Internal balances	12,109	181,064	193,173
Inventories	-	65,726	65,726
Total current assets	11,985,045	4,618,583	16,603,628
Noncurrent assets:			
Restricted assets:			
Cash - debt reserves	-	815,968	815,968
Cash - customer deposits	-	250,629	250,629
Capital assets:			
Capital assets not depreciated	11,503,007	3,952,755	15,455,762
Capital assets, depreciated	53,589,716	37,689,884	91,279,600
Accumulated depreciation	(19,766,663)	(24,338,251)	(44,104,914)
Total noncurrent assets	45,326,060	18,370,985	63,697,045
Total assets	57,311,105	22,989,568	80,300,673
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to measurement date	390,493	62,137	452,630
Deferred outflows related to pensions	491,520	34,312	525,832
Total deferred outflows of resources	882,013	96,449	978,462
LIABILITIES			
Current liabilities:			
Accounts payable	251,998	391,655	643,653
Accrued payroll	379,408	27,224	406,632
Customer deposits	-	254,932	254,932
Prepaid rents	-	1,627	1,627
Internal balances	181,064	12,109	193,173
Compensated absences	281,981	73,025	355,006
Bonds, notes and leases payable	154,542	417,025	571,567
Total current liabilities	1,248,993	1,177,597	2,426,590
Noncurrent liabilities			
Net pension liability	5,032,367	758,267	5,790,634
OPEB liability	840,564	-	840,564
Compensated absences	45,903	11,298	57,201
Bonds, notes and leases payable	233,304	802,018	1,035,322
Total noncurrent liabilities	6,152,138	1,571,583	7,723,721
Total liabilities	7,401,131	2,749,180	10,150,311
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	129,088	19,490	148,578
NET POSITION			
Net investment in capital assets	44,938,214	16,085,345	61,023,559
Restricted for:			
Debt service	526,679	815,968	1,342,647
Other purposes	2,686,983	250,629	2,937,612
Subsequent year's expenditures	779,085	-	779,085
Unrestricted	1,731,938	3,165,405	4,897,343
Total net position	\$ 50,662,899	20,317,347	70,980,246

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

CITY OF GRANTS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 4,751,484	1,370,206	90,000	-	\$ (3,291,278)	-	(3,291,278)
Public safety	3,577,564	55,938	329,769	-	(3,191,857)	-	(3,191,857)
Public works	808,023	-	-	753,380	(54,643)	-	(54,643)
Health and welfare	911,403	19,823	731,402	89,459	(70,719)	-	(70,719)
Cultural and recreational	1,158,099	-	15,000	-	(1,143,099)	-	(1,143,099)
Interest and fees on long-term debt	14,956	-	-	-	(14,956)	-	(14,956)
Total governmental activities	11,221,529	1,445,967	1,166,171	842,839	(7,766,552)	-	(7,766,552)
Business-type activities:							
Utility	4,586,302	6,714,317	150,000	-	-	2,278,015	2,278,015
Golf	898,380	380,802	-	-	-	(517,578)	(517,578)
Rental	155,829	38,578	62,319	-	-	(54,932)	(54,932)
Airport	170,124	-	-	-	-	(170,124)	(170,124)
Interest and fees on long-term debt	24,478	-	-	-	-	(24,478)	(24,478)
Total business-like activities	5,835,113	7,133,697	212,319	-	-	1,510,903	1,510,903
Total primary government	\$ 17,056,642	8,579,664	1,378,490	842,839	\$ (7,766,552)	1,510,903	(6,255,649)
General Revenues							
Taxes:							
Gross receipts/state shared					\$ 7,400,371	-	7,400,371
Property					533,254	-	533,254
Lodgers' tax					372,617	-	372,617
Franchise tax					336,419	-	336,419
Investment income					16,596	7,020	23,616
Other					154,704	136,786	291,490
Sale of lots					29,960	-	29,960
Donations					997	-	997
Transfers							
Operating transfers, net					652,129	(652,129)	-
Capital transfers, net					-	-	-
Total general revenues and transfers					9,497,047	(508,323)	8,988,724
Change in net position					1,730,495	1,002,580	2,733,075
Net position (deficit), beginning of year					48,932,404	19,314,767	68,247,171
Net position (deficit), end of year					\$ 50,662,899	20,317,347	70,980,246

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

**CITY OF GRANTS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
ASSETS				
Pooled cash investments	\$ 7,118,504	56,832	2,966,248	10,141,584
Cash held with trustee	-	-	224,384	224,384
Accounts receivable, net allowance	1,247,646	-	55,888	1,303,534
Grant revenue receivable	-	279,914	23,520	303,434
Due from other funds	2,112,609	-	-	2,112,609
Total assets	\$ 10,478,759	336,746	3,270,040	14,085,545
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 147,466	101,924	2,608	251,998
Accrued payroll	370,354	-	9,054	379,408
Due to other funds	-	2,258,438	23,126	2,281,564
Total liabilities	517,820	2,360,362	34,788	2,912,970
Fund Balances:				
Restricted	779,085	-	3,213,662	3,992,747
Assigned	7,842	-	24,106	31,948
Unassigned	9,174,012	(2,023,616)	(2,516)	7,147,880
Total fund balances	9,960,939	(2,023,616)	3,235,252	11,172,575
Total liabilities and fund balances	\$ 10,478,759	336,746	3,270,040	14,085,545

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

CITY OF GRANTS
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL
FUNDS TO GOVERNMENTAL ACTIVITIES NET POSITION
June 30, 2016

Fund Balance of Governmental Funds		\$ 11,172,575
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.		45,326,060
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Net pension liability	(5,032,367)	
OPEB liability	(840,564)	
Compensated absences	(327,884)	
Notes, bonds and leases payable	(387,846)	
	(6,588,661)	(6,588,661)
Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore are not reported in the funds		
Deferred outflows of resources related to pensions	882,013	
Deferred inflows of resources related to pensions	(129,088)	
	752,925	752,925
Net position of governmental activities		\$ 50,662,899

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

CITY OF GRANTS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
Revenues				
Intergovernmental - federal	\$ 7,761	274,172	428,770	710,703
Intergovernmental - state	91,469	479,208	642,030	1,212,707
Intergovernmental - other	53,200	-	32,400	85,600
Property tax	533,254	-	-	533,254
State shared taxes and municipal taxes	7,314,329	-	86,042	7,400,371
Lodgers' tax	-	-	372,617	372,617
Licenses and permits	70,433	-	-	70,433
Fines	114,657	-	-	114,657
Franchise tax	336,419	-	-	336,419
Fees, service charges, and rental revenue	1,185,116	-	75,761	1,260,877
Investment income	11,056	-	5,540	16,596
Sales of lots	17,980	-	11,980	29,960
Donations	-	-	997	997
Miscellaneous	110,485	44,219	-	154,704
Total revenues	9,846,159	797,599	1,656,137	12,299,895
Expenditures				
Current:				
General government	3,328,073	306,894	57,917	3,692,884
Public safety	3,005,143	-	367,635	3,372,778
Public works	781,619	-	-	781,619
Health and welfare	-	-	832,677	832,677
Cultural and recreational	810,340	-	347,759	1,158,099
Capital outlay	8,020	2,617,960	252,407	2,878,387
Debt Service:				
Principal	-	-	148,849	148,849
Interest and other charges	-	-	14,743	14,743
Fees	-	-	213	213
Total expenditures	7,933,195	2,924,854	2,022,200	12,880,249
Revenues over (under) expenditures	1,912,964	(2,127,255)	(366,063)	(580,354)
Other Financing Sources (Uses)				
Operating transfers in	59,000	2,900,000	1,379,356	4,338,356
Operating transfers out	(2,099,611)	-	(1,586,616)	(3,686,227)
Capital transfer in	-	-	-	-
Capital transfer out	-	-	-	-
Total other financing sources (uses)	(2,040,611)	2,900,000	(207,260)	652,129
Net change in fund balances	(127,647)	772,745	(573,323)	71,775
Fund balances, beginning of year	10,088,586	(2,796,361)	3,808,575	11,100,800
Fund balances - end of year	\$ 9,960,939	(2,023,616)	3,235,252	11,172,575

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

**CITY OF GRANTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Net change in fund balances - Governmental Funds \$ 71,775

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(1,404,209)	
Capital outlay	<u>2,878,387</u>	
Excess of depreciation expense over capital outlay		1,474,178

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		148,849
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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.		(30,210)
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City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Contributions subsequent to measurement date		390,493
Pension expense		(173,832)

Net unpaid annual required contribution for OPEB plan creates a long-term liability not recorded in governmental funds.		<u>(150,758)</u>
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Change in net position of governmental activities		<u><u>\$ 1,730,495</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GENERAL FUND
Year Ended June 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ 4,511,250	5,347,600	5,347,720	120
State shared taxes and municipal taxes	2,825,282	3,297,932	3,297,891	(41)
Franchise fees	335,000	335,000	334,889	(111)
Intergovernmental revenue	170,534	162,134	162,051	(83)
Fine and forfeits	88,000	114,000	114,657	657
Licenses and permits	22,800	25,000	24,915	(85)
Charges for Services	36,000	96,000	96,340	340
Investment income	12,000	11,100	11,056	(44)
Miscellaneous	1,096,005	1,292,005	1,217,241	(74,764)
Total revenues	9,096,871	10,680,771	10,606,760	(74,011)
Expenditures				
Current:				
General government	4,657,416	4,068,456	4,066,473	1,983
Public safety	2,911,994	2,709,994	2,709,503	491
Public works	786,952	779,952	779,756	196
Cultural and recreational	307,295	294,295	293,453	842
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	8,663,657	7,852,697	7,849,185	3,512
Excess (deficiency) of revenues over expenditures	433,214	2,828,074	2,757,575	(70,499)
Other Financing Sources (Uses)				
Operating transfers in	-	79,230	59,000	(20,230)
Operating transfers out	(1,546,057)	(2,285,768)	(2,099,611)	186,157
Total other financing sources (uses)	(1,546,057)	(2,206,538)	(2,040,611)	165,927
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(1,112,843)	621,536	716,964	
Budgeted cash carryover	1,112,843	(621,536)		
	\$ -	-		
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary)			\$ 716,964	
Adjustments for revenue accruals, transfers, earnings on investments			(741,545)	
Adjustments for expenditures for payables, inventory, other expenditure accruals			89,979	
Judgement / Settlement, not budgeted			(156,157)	
Retiree healthcare premiums, not budgeted			(28,341)	
ULD			(8,547)	
Net change in fund balance (GAAP Basis)			\$ (127,647)	

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

CITY OF GRANTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Utilities	Nonmajor Proprietary Funds	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,776,900	89,896	3,866,796
Accounts receivable - other	-	14,719	14,719
Accounts receivable - tenants (net of allowance)	-	3,720	3,720
Accounts receivable, water and sewer (net of allowance)	486,558	-	486,558
Inventory	65,726	-	65,726
Due from other funds	168,438	12,626	181,064
Total current assets	4,497,622	120,961	4,618,583
Non-Current Assets			
Restricted Assets:			
Cash debt reserves	815,968	-	815,968
Cash customer deposits	250,629	-	250,629
Total restricted assets	1,066,597	-	1,066,597
Capital Assets:			
Capital assets - not depreciated	3,906,031	46,724	3,952,755
Capital assets - depreciated	34,358,964	3,330,920	37,689,884
Less accumulated depreciation	(22,114,102)	(2,224,149)	(24,338,251)
Net capital assets	16,150,893	1,153,495	17,304,388
Total assets	21,715,112	1,274,456	22,989,568
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to measurement date	\$ 33,140	28,997	62,137
Deferred outflows related to pensions	18,300	16,012	34,312
Total deferred outflows of resources	51,440	45,009	96,449

CITY OF GRANTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
June 30, 2016

	Utilities	Nonmajor Proprietary Funds	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 383,621	8,034	391,655
Accrued payroll	10,896	16,328	27,224
Tenant security deposits/utility deposits	250,432	4,500	254,932
Prepaid rents	-	1,627	1,627
Due to other funds	12,109	-	12,109
Current portion of compensated absences	42,845	30,180	73,025
Current portion of long-term debt/lease payable	417,025	-	417,025
Total current liabilities	1,116,928	60,669	1,177,597
Noncurrent Liabilities			
Net pension liability	404,409	353,858	758,267
Compensated absences	6,974	4,324	11,298
Bonds, notes and leases payable	802,018	-	802,018
Total noncurrent liabilities	1,213,401	358,182	1,571,583
Total liabilities	2,330,329	418,851	2,749,180
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	10,395	9,095	19,490
NET POSITION			
Net investment in capital assets	14,931,850	1,153,495	16,085,345
Restricted:			
Debt service	815,968	-	815,968
Customer deposits	250,629	-	250,629
Unrestricted	3,427,381	(261,976)	3,165,405
Total net position	\$ 19,425,828	891,519	20,317,347

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

CITY OF GRANTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Utilities	Nonmajor Proprietary Funds	Total
OPERATING REVENUES			
Water, sewer and refuse sales	\$ 6,714,317	-	6,714,317
Golf fees	-	380,802	380,802
Rental income	-	38,578	38,578
Total operating revenues	6,714,317	419,380	7,133,697
OPERATING EXPENSES			
Operating expenses	4,021,628	1,163,086	5,184,714
Depreciation	564,674	61,247	625,921
Total operating expenses	4,586,302	1,224,333	5,810,635
Net income (loss) from operations	2,128,015	(804,953)	1,323,062
NON-OPERATING REVENUES (EXPENSES)			
Federal grants and subsidies	-	62,319	62,319
Intergovernmental revenues - state	150,000	-	150,000
Interest on investments	7,020	-	7,020
Interest expense	(24,478)	-	(24,478)
Other miscellaneous income (expense)	-	136,786	136,786
Loss on asset disposals	-	-	-
Other debt expense	-	-	-
Total non-operating revenues (expenses)	132,542	199,105	331,647
Net income (loss) before contributions and transfers	2,260,557	(605,848)	1,654,709
Operating transfers in	166,122	431,749	597,871
Operating transfers (out)	(1,250,000)	-	(1,250,000)
Capital transfers in	-	-	-
Capital transfers (out)	-	-	-
Change in net position	1,176,679	(174,099)	1,002,580
Net position, beginning of year	18,249,149	1,065,618	19,314,767
Total net position, at end of year	\$ 19,425,828	891,519	20,317,347

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

**CITY OF GRANTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016**

	Utilities	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,798,451	416,273	7,214,724
Cash paid to suppliers	(3,124,147)	(621,702)	(3,745,849)
Cash paid to and on behalf of employees	(363,852)	(359,572)	(723,424)
Net cash provided (used) by operating activities	3,310,452	(565,001)	2,745,451
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Grants and subsidies	150,000	197,604	347,604
Advances (to) from other funds	(7,536)	(6,459)	(13,995)
Transfers in (out)	(1,083,878)	411,749	(672,129)
Other miscellaneous income (expense)	-	21,501	21,501
Net cash provided (used) by noncapital financing activities	(941,414)	624,395	(317,019)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property and equipment	(1,181,279)	-	(1,181,279)
Principal paid: revenue bonds/lease purchase/advances	(125,147)	-	(125,147)
Interest paid: revenue bonds/lease purchase/advances	(24,478)	-	(24,478)
Net cash provided (used) by capital and related financing activities	(1,330,904)	-	(1,330,904)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	7,020	-	7,020
Net cash provided (used) by investing activities	7,020	-	7,020
Net increase (decrease) in pooled cash	1,045,154	59,394	1,104,548
Pooled cash and investments, beginning of year	3,798,343	30,502	3,828,845
Pooled cash and investments, end of year	\$ 4,843,497	89,896	4,933,393
Cash and cash equivalents	\$ 3,776,900	89,896	3,866,796
Restricted cash	1,066,597	-	1,066,597
Total cash	\$ 4,843,497	89,896	4,933,393
Non Cash Transactions:			
Capital assets transferred in/(out)	\$ -	-	-

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

**CITY OF GRANTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
Year Ended June 30, 2016**

	Utilities	Nonmajor Proprietary Funds	Total
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 2,128,015	(804,953)	1,323,062
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	564,674	61,247	625,921
Net pension related adjustments	179,505	203,156	382,661
Change in assets and liabilities			
(Increase) decrease in assets:			
Accounts receivable	75,684	(4,500)	71,184
Inventories	-	-	-
Other charges	-	-	-
Prepays	-	-	-
Increase (decrease) in liabilities:			
Accounts and contracts payable	346,753	(34,331)	312,422
Wages payable	974	4,381	5,355
Compensated absences	6,397	8,356	14,753
Tenant deposits/utility deposits	8,450	250	8,700
Tenants prepaid rent	-	1,393	1,393
Total adjustments	<u>1,182,437</u>	<u>239,952</u>	<u>1,422,389</u>
Net cash provided (used) by operating activities	<u>\$ 3,310,452</u>	<u>(565,001)</u>	<u>2,745,451</u>

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

**CITY OF GRANTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2016**

ASSETS

Cash, certificates of deposit and investments \$ 23,228

Total assets **\$ 23,228**

LIABILITIES

Due to others \$ 23,228

Total liabilities **\$ 23,228**

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Financial Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

C. Financial Statement Presentation

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

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

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

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

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

The City reports the following major funds:

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

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

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

D. Measurement Focus and Basis of Accounting

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

E. Budgets and Budgetary Accounting

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

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

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

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

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Continued)

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, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (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.

F. Cash Equivalents

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

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

G. Investments

The City's investments are regulated by state law, as well as by guidelines and rules promulgated by the State investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, 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.

H. Receivables and Payables

Under generally accepted accounting principles the City would normally include property taxes receivable subsequent to sixty days after year-end as revenue and accounts receivable. Cibola County has been unable to determine this amount as of June 30, 2016 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, 2016.

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Proprietary Fund Types

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

Management has determined that accounts receivable are fully collectible at June 30, 2016 with the exception of certain receivables from utility services provided to customers. Accordingly, a \$77,944 allowance for doubtful accounts has been recorded in the Joint Utility Enterprise Fund.

J. Inventories

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

K. Capital Assets

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

Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets 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, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property Taxes

The City of Grants receives property taxes from the Cibola County Treasurer for operational purposes. Property taxes are assessed on January 1 of each year, 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 .004399 per \$1,000 of net taxable value of residential and .004555 for non-residential property allocated to the municipality. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. Currently, the City has no outstanding general obligation bonds.

M. Compensated Absences

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

As of June 30, 2016, the liability for accrued compensated absences is \$412,207. The amount applicable to the Enterprise Funds Utility is \$49,819, and Nonmajor Proprietary Funds of \$34,504. The amount applicable to Government Activities is \$327,884. These liabilities will be liquidated as leave time is utilized from the various funding sources from which each employee is paid.

N. Net Position / Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding debt. The net related debt is the debt less outstanding liquid assets and any associated unamortized cost.

Restricted net assets consists of net asset with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. In fiscal year 2011, the City of Grants enacted legislation to create a special gross receipt 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, 2016, included \$1,716,767 of net position restricted by enabling legislation for street and parks improvements.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Position / Fund Balances (Continued)

When both restricted and unrestricted net position are available for use, it is the City's policy to use restricted resources first, then unrestricted net position as they are needed.

In the fund financial statements, the Board has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) 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: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

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

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

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Position / Fund Balances (Continued)

The classification of governmental fund balances is as follows:

	Major Funds			Total
	General Fund	Capital Projects Fund GGI	Other Funds	
Fund Balances:				
Restricted for:				
Cemetery care	\$ -	-	123,426	123,426
Health and social services	-	-	16,230	16,230
Streets and parks	-	-	2,234,710	2,234,710
Housing	-	-	19,370	19,370
Fire protection	-	-	4,721	4,721
Library	-	-	19,810	19,810
Law enforcement and correction	-	-	41,684	41,684
Recreation and promotions	-	-	227,033	227,033
Debt service	-	-	526,679	526,679
Subsequent year's expenditures	779,085	-	-	779,085
Assigned to:				
Senior activities	-	-	24,106	24,106
Retiree healthcare	7,842	-	-	7,842
Unassigned	9,174,012	(2,023,616)	(2,516)	7,147,880
Total net position	\$ 9,960,939	(2,023,616)	3,235,253	11,172,576

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

O. Pensions

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

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

Q. Implementation of New Accounting Standards

During fiscal year 2016, the Board adopted the following GASB Statements:

- GASB 72, *Fair Value Measurement and Application*, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.
- GASBS No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Effective for reporting periods beginning after June 15, 2016, with earlier implementation encouraged. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Implementation of New Accounting Standards (Continued)

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2018.
- GASB 77, *Tax Abatement Disclosures*, this Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement will be effective for the year ended June 30, 2017.

NOTE 2. CASH AND INVESTMENTS

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

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

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

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 IA 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.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

- e. Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

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

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

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 6-10-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rate fixed by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit. The LGIP's weighted average maturity (WAM) at June 30, 2016 was 44 days WAM (R); 77 days WAM(F).

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, the government's bank balances of \$10,251,749 were over collateralized as follows:

Uninsured public funds	\$ 9,238,420
Pledged collateral held by pledging bank's trust	
Department or agent but not in City's name	<u>9,480,662</u>
Overcollateralized	<u>\$ 242,242</u>

Funds held and directed by trustee in relation to debt service agreements totaling \$924,145 are monitored for collateral by the trustee.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS

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

Accounts receivable is comprised of the following at June 30, 2016:

	Utility	Golf Course	Airport	Housing Authority Low Rent
Accounts receivable	\$ 566,502	196		8,069
Grant and other receivables	-	-	14,523	-
Allowance for uncollectible accounts	<u>(79,944)</u>	-		<u>(4,349)</u>
Accounts receivable, net	<u>\$ 486,558</u>	<u>196</u>	<u>14,523</u>	<u>3,720</u>

NOTE 4. CAPITAL ASSETS

Capital asset activity for the City's primary government for the year ended June 30, 2016 was as follows:

	Balance 6/30/2015	Additions	Deletions	Transfers	Balance 6/30/2016
Governmental Activities:					
Capital Assets:					
Non-Depreciable					
Art	\$ 122,897	-	-	-	122,897
Land	3,433,105	20,531	-	-	3,453,636
Construction in Progress	5,630,226	2,309,088	-	-	7,939,314
Depreciable:					
Buildings	12,191,306	103,735	-	-	12,295,041
Land improvements	6,375,309	-	-	-	6,375,309
Machinery & equipment	7,596,743	413,648	-	(18,895)	7,991,496
Infrastructure	26,883,645	31,385	-	-	26,915,030
Total	<u>\$ 62,233,231</u>	<u>2,878,387</u>		<u>(18,895)</u>	<u>65,092,723</u>
Less Accumulated Depreciation:					
Buildings	\$ (4,568,953)	(274,704)	-	-	(4,843,657)
Land improvements	(1,768,498)	(171,831)	-	-	(1,940,329)
Machinery & equipment	(5,941,117)	(420,422)	-	18,895	(6,342,644)
Infrastructure	<u>(6,102,781)</u>	<u>(537,252)</u>	-	-	<u>(6,640,033)</u>
Total Accumulated Depreciation	<u>\$ (18,381,349)</u>	<u>(1,404,209)</u>	<u>-</u>	<u>18,895</u>	<u>(19,766,663)</u>
Net Capital Assets	<u>\$ 43,851,882</u>	<u>1,474,178</u>	<u>-</u>	<u>-</u>	<u>45,326,060</u>

Depreciation expense for governmental activities is \$1,404,209 for the year ended June 30, 2016.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the City's business-type activities for the year ended June 30, 2016 was as follows:

	Balance 6/30/2015	Additions	Capital Transfers	Deletions	Transfers	Balance 6/30/2016
Business-type Activities:						
Capital Assets:						
Non-Depreciable						
Land	\$ 2,309,374	-	-	-	-	2,309,374
Construction in Progress	226,144	899,022	-	-	-	1,125,166
Idle assets	392,602	-	-	-	-	392,602
Water rights	125,612	-	-	-	-	125,612
Depreciable:						
Buildings	2,066,561	-	-	-	-	2,066,561
Land improvements	4,099,697	-	-	-	-	4,099,697
Machinery & equipment	3,419,024	57,142	-	(98,781)	18,895	3,396,280
Infrastructure	27,902,232	225,115	-	-	-	28,127,347
Total	<u>\$ 40,541,246</u>	<u>1,181,279</u>	<u>-</u>	<u>(98,781)</u>	<u>18,895</u>	<u>41,642,639</u>
Less Accumulated Depreciation:						
Buildings	\$ (1,102,280)	(47,497)	-	925	-	(1,148,582)
Land improvements	(922,242)	(129,282)	-	-	-	(1,051,524)
Machinery & equipment	(2,946,082)	(83,600)	-	97,463	(18,895)	(2,951,114)
Infrastructure	(18,821,489)	(365,542)	-	-	-	(19,187,031)
Total Accumulated Depreciation	<u>\$(23,792,093)</u>	<u>(625,921)</u>	<u>-</u>	<u>98,388</u>	<u>(18,895)</u>	<u>(24,338,251)</u>
Net Capital Assets	<u>\$ 16,749,153</u>	<u>(555,358)</u>	<u>-</u>	<u>(393)</u>	<u>-</u>	<u>17,304,388</u>

Depreciation expense for business-type activities is \$526,413 for the year ended June 30, 2016.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business - Type Activities
General Government	\$ 583,444	-
Public Safety	204,787	-
Health and Welfare	78,726	-
Public works	537,252	-
Water	-	247,013
Sewer	-	317,661
Golf	-	31,751
Housing	-	29,496
Total	<u>\$ 1,404,209</u>	<u>625,921</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES

The following summarized the changes for government activities during 2016:

	Balance 06/30/2015	Additions	Deletion/ Transfers	Balance 06/30/2016	Amount Due within One Year
NMFA - museum	\$ 241,098	-	55,043	186,055	60,194
NMFA – fire truck	213,412	-	52,863	160,549	53,106
NMFA – street sweeper	82,185	-	40,943	41,242	41,242
Compensated absences	296,015	291,519	261,309	327,884	281,981
Total	\$ 834,369	291,519	374,158	715,730	436,523

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

Total interest expense associated with government debt listed above was \$14,743 for the year ended June 30, 2016.

Notes outstanding in governmental funds consist of the following:

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

Year Ended June 30,	Principal	Interest	Total
2017	60,194	9,147	69,341
2018	60,350	6,210	66,560
2019	65,511	3,241	68,752
Totals	\$ 186,055	18,598	204,653

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)

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

Year Ended June 30,	Principal	Interest	Total
2017	53,106	1,636	54,742
2018	53,452	1,290	54,742
2019	53,991	750	54,741
Totals	<u>\$ 160,549</u>	<u>3,676</u>	<u>164,225</u>

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%
Pledged revenues: Gross receipts tax intercept
Amortized as follows:

Year Ended June 30,	Principal	Interest	Total
2017	41,242	188	41,430
Totals	<u>\$ 41,242</u>	<u>188</u>	<u>41,430</u>

The annual principal payment requirement of debt outstanding as of June 30, 2016, in government actives, are summarized as follows:

Year Ended June 30,	Principal Payment	Interest	Total
2017	154,542	10,970	165,512
2018	113,802	7,500	121,302
2019	119,502	3,992	123,494
Compensated absences	327,884	-	327,884
Totals	<u>\$ 715,730</u>	<u>22,462</u>	<u>738,192</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)

The following summarizes the changes in the business-type activities during 2016:

	Balance 06/30/2015	Additions	Deletion/ Transfers	Balance 06/30/2016	Amount Due within One Year
NMED – WW Facility	\$ 1,178,585	-	385,108	793,477	392,810
Revenue bonds	165,605	280,000	20,039	425,566	24,215
Compensated absences	69,570	62,635	47,882	84,323	73,025
Total	<u>\$ 1,413,760</u>	<u>342,635</u>	<u>453,029</u>	<u>1,303,366</u>	<u>490,050</u>

Total interest expense associated with business-type debt listed above was \$24,478 for the year ended June 30, 2016, which was related to the Utility fund.

Notes outstanding reported in proprietary funds at June 30, 2016 consist of the following:

New Mexico Environment Department Loan

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

Maturity	Principal	Interest	Total
2017	\$ 392,810	15,870	408,680
2018	400,667	8,013	408,680
Totals	<u>\$ 793,477</u>	<u>23,883</u>	<u>817,360</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (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
Rate: Zero plus .25% administrative fee
Pledged revenues: Net revenues of the City’s water and wastewater utility system
Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee)	Total
		Interest	
2017	\$ 8,327	318	8,645
2018	8,348	297	8,645
2019	8,369	276	8,645
2020	8,390	255	8,645
2021-2025	42,265	960	43,225
2026-2030	42,794	429	43,223
2031	8,621	22	8,643
Totals	<u>\$ 127,114</u>	<u>2,557</u>	<u>129,671</u>

New Mexico Finance Authority – 154 WTB

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

Fiscal year ended June 30,	Principal	(Adm. Fee)	Total
		Interest	
2017	\$ 1,982	71	2,053
2018	1,987	66	2,053
2019	1,992	60	2,052
2020	1,997	56	2,053
2021-2025	10,060	203	10,263
2026-2030	10,190	77	10,267
Totals	<u>\$ 28,208</u>	<u>533</u>	<u>28,741</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. NOTES PAYABLE AND COMPENSATED ABSENCES (CONTINUED)

New Mexico Finance Authority – 315 WTB

Purpose: Flood prevention project
Original Issue: \$280,000
Principal: June 1
Interest: December 1 and June 1
Rate: Zero plus .25% administrative fee
Pledged revenues: Net revenues of the City’s water and wastewater utility system
Amortized as follows:

Fiscal year ended June 30,	Principal	(Adm. Fee)	
		Interest	Total
2017	\$ 13,906	676	14,582
2018	13,941	641	14,582
2019	13,976	606	14,582
2020	14,010	571	14,581
2021-2025	70,579	2,328	72,907
2026-2030	71,467	1,441	72,908
2031-2035	72,365	544	72,909
Totals	\$ 270,244	6,807	277,051

NOTE 6. INTERFUND TRANSACTIONS

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

The composition of interfund balances as of June 30, 2016 is as follows:

	Due from Receivable	Due to Payable
Governmental Funds		
Major Funds		
General Fund	\$ 2,112,609	-
General Government Improvements Fund	-	2,258,438
Non-major Funds		
Foster Grandparents	-	4,000
Housing Authority Vouchers	-	12,626
Senior Companion Program	-	4,500
Senior Employment Program	-	2,000
Business Type Funds		
Utility	168,438	12,109
Housing Authority Low Rent	12,626	-
Total	\$ 2,293,673	2,293,673

Balances resulted from loans made to cover operating cash deficits.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6. INTERFUND TRANSACTIONS (CONTINUED)

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

The composition of interfund transfers as of June 30, 2016 is as follows:

	Operating Transfer In	Operating Transfer Out
Governmental Funds		
Major Funds		
General Fund	\$ 59,000	2,099,611
General Government Improvements Fund	2,900,000	-
Non-major Funds		
Cibola Senior Citizens	80,000	-
Fire Protection	-	113,742
Gasoline Road Tax	-	141,618
GRT Street & Parks Improvement	663,683	900,000
Housing Authority Capital Funds	-	61,749
Local Government Corrections	100,000	-
Lodgers Tax	-	368,800
Lodgers Tax Promotional	368,800	-
NMFA Loan – Debt Service Fund	166,873	-
NMFA Reserve – Debt Service Fund	-	707
Business Type Funds		
Utility	166,122	1,250,000
Golf Course	350,000	-
Airport	61,749	-
Housing Authority Low Rent	20,000	-
Total	<u>\$ 4,936,227</u>	<u>4,936,227</u>

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan description. Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article I NMSA 1978). The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal years ended June 30, 2015 available at <http://saonm.org/> using the Audit Report Search function for agency 366.

Contributions. The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 44 of the PERA FY15 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financialreports/CAFR-2015.pdf>. The PERA coverage options that apply to the City are: the Municipal General Division, the Municipal Police Division, and the Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$452,630 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For the Municipal General Division, at June 30, 2016, the City reported a liability of \$2,527,555 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.2479%, which was a .01920% increase from its proportion of .22870% measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized Municipal General Division pension expense of \$179,913. At June 30, 2015, the City reported Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	985
Differences between expected and actual experience	-	55,987
Net difference between projected and actual earnings on pension plan investments	-	7,995
Changes in proportion and differences between employer Contributions and proportionate of contributions	114,372	-
City contributions subsequent to the measurement date	<u>207,123</u>	<u>-</u>
Total	<u>\$ 321,495</u>	<u>64,967</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

\$207,123 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(66,945)
2018		(66,945)
2019		(66,945)
2020		135,868
2021		-

For the Municipal Police Division, at June 30, 2016, the City reported a liability of \$1,855,624 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.3859%, which was an increase of 0.0721% percent from its proportion of .31380% measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized Municipal Police Division pension expense of \$167,416. At June 30, 2016, the City reported Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	76,771
Difference between expected and actual experience	129,663	
Net difference between projected and actual earnings on pension plan investments	-	5,147
Changes in proportion and differences between employer Contributions and proportionate share of contributions	179,473	
City contributions subsequent to the measurement date	<u>167,416</u>	<u>-</u>
Total	<u>\$ 476,552</u>	<u>81,918</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

\$167,416 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(15,800)
2018		(15,800)
2019		(15,800)
2020		95,146
2021		-

For the Municipal Fire Division, at June 30, 2015, the City reported a liability of \$1,407,454 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.2727%, which is an increase by 0.0054% from its proportion of .26730% measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized Municipal Fire Division pension expense of \$144,567. At June 30, 2016, the City reported Municipal Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 29,685	-
Difference between expected and actual experience	55,428	-
Net difference between projected and actual earnings on pension plan investments	-	1,693
Changes in proportion and differences between employer Contributions and proportionate share of contributions	17,211	
City contributions subsequent to the measurement date	<u>78,091</u>	-
Total	<u>\$ 180,415</u>	<u>1,693</u>

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

\$78,091 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	16,713
2018		16,713
2019		16,713
2020		33,281
2021		-

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
• Experience Study Dates	July 1, 2008 to June 30, 2013

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	<u>100.0%</u>	

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

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal General Division:			
City’s proportionate share of the net pension liability	\$ 4,303,424	2,527,555	1,051,041

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal Police Division:			
City’s proportionate share of the net pension liability	\$ 3,064,450	1,855,624	863,976

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal Fire Division:			
City's proportionate share of the net pension liability	\$ 1,908,857	1,407,454	994,231

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net positions are available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2016, the City had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

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.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

3. Contributions and Reserves

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

4. Other Reporting

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Interest on Net OPEB Obligation	Adjustment to the ARC	Annual OPEB Cost {(1)+(2)-(3)}	Employer Contributions	Increase (Decrease) in Net OPEB Obligation {(4)-(5)}	Net OPEB Obligation at Beginning of Year	Net OPEB Obligation at End of Year {(6)+(7)}
ARC	\$0	\$0	\$150.758	\$0	\$150.758	\$539,048	\$689,806

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
6/30/2014	\$150.758	\$0	0%	\$539,048
6/30/2015	\$150.758	\$0	0%	\$689,806
6/30/2016	\$150.758	\$0	0%	\$840,564

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) {(3)-(2)}	Funded Ration {(2)/(3)}	Annual Covered Payroll	Ratio of UAAL to Covered Payroll {(4)/(6)}
7/1/2010	\$7,842	\$1,113,491	\$1,113,491	0.70%	\$3,594,162	30.76%

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

E. Disclosure of Information about Actuarial Methods and Assumption

1. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

2. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3. GASB No. 45 calculations are based on the types of benefits provided under the terms of the substantive plan at the time-of each valuation and on the pattern of sharing of costs between the employer and plan participants to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan participants in the future.

4. Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the amounts in this report include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

5. The information presented in the required supplementary schedules was determined as part of the actuarial valuation using the actuarial methods and assumptions summarized below. The City has chosen to have an actuarial valuation every three years.

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

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

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

Net Working Capital:

Enterprise Fund:

Utility	\$3,380,694
Golf Course	(\$33,636)
Housing Authority Low Rent	\$75,124
Airport	\$8,804

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

General Government Improvements	(\$2,023,616)
Senior Employment Program	(\$2,516)
Airport	(\$3,907)

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

Excess of fund actual expenditures or transfers out over budget:

State and Local Narcotics Assistance fund	(\$494)
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NOTE 10. RISK MANAGEMENT

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

The City paid premiums of \$410,212 for the year ended June 30, 2016.

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10. RISK MANAGEMENT (CONTINUED)

Surety bonds are in force per the following schedule:

Insurance Company	Type of Bond	Coverage From - To	Coverage Limits
Western Surety	Blanket Position	10/01/2015	\$10,000 each on 45 positions including
		09/30/2016	Cashiers, Mayor, Councilmen, City Manager, Judge, various Directors, Secretaries, Clerks, etc.
Western Surety	NM PE Position	08/25/2015	City Manager - \$50,000
		08/24/2016	Municipal Judge - \$50,000
AIG Aviation Inc.	Airport Premises	07/01/2015	\$1,000,000 each occurrence
	Legal Liability Medical Payments	06/30/2016	\$50,000 each A/C, \$100,000 each occurrence, \$2,500 ded \$1,000 each person
Scottsdale Insurance	Golf Course	10/31/2015	\$2,000,00 aggregate
	Liquor Liability	10/31/2016	\$1,000,000 common cause

NOTE 11. COMMITMENTS AND CONTINGENCIES

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

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

Commitments. The City had outstanding construction contracts of \$2,120,963 with various contractors.

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12. OPERATING LEASES

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

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

*Continuing on a month to month lease after termination.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Principal Payment
2017	\$ 14,753
2018	14,499
2019	12,721
2020	9,612
2021	9,612
2022	5,773
Totals	<u>\$ 66,970</u>

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

**CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14. SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 15, 2016, the date the financial statements were available to be issued

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRANTS
 RETIREE HEALTH CARE PLAN
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2016**

	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
A. Schedule of Funding Progress			
1 Actuarial Valuation Date	July 1, 2010	July 1, 2010	July 1, 2010
2 Actuarial Value of Assets	42,502	16,184	7,842
3 Actuarial Accrued Liability	1,113,491	1,113,491	1,113,491
4 Unfunded Actuarial Accrued Liability (3 - 2)	1,070,989	1,097,307	1,105,649
5 Funded Ratio (2/3)	3.82%	1.45%	0.70%
6 Annual Covered Payroll	2,879,712	3,353,114	3,594,162
7 Ratio of UAAL to Covered Payroll (4/6)	37.19%	32.73%	30.76%

B. Significant Factors Affecting the Comparability of Amounts Reported

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

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

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability		
Municipal General Division	0.2479%	0.2287%
Municipal Police Division	0.3859%	0.3138%
Municipal Fire Division	0.2727%	0.2673%
City's proportionate share of the net pension liability		
Municipal General Division	\$ 2,527,555	1,784,105
Municipal Police Division	1,855,624	1,022,954
Municipal Fire Division	1,407,454	1,115,708
City's covered payroll		
Municipal General Division	1,892,660	1,525,927
Municipal Police Division	804,508	632,106
Municipal Fire Division	319,880	300,092
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		
Municipal General Division	133.55%	116.92%
Municipal Police Division	230.65%	161.83%
Municipal Fire Division	439.99%	371.79%
Plan fiduciary net position as a percentage of the total pension liability		
Municipal General Division	76.99%	81.29%
Municipal Police Division	76.99%	81.29%
Municipal Fire Division	76.99%	81.29%

The amounts presented for each fiscal year were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. Amounts for covered payroll are imputed using the contribution rates for the various plans.

See Notes to Required Supplementary Information

CITY OF GRANTS
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2016</u>	<u>2016</u>
Contractually required contribution		
Municipal General Division	\$ 207,123	180,749
Municipal Police Division	167,416	152,052
Municipal Fire Division	78,091	69,254
Contributions in relation to the contractually required contribution		
Municipal General Division	207,123	180,749
Municipal Police Division	167,416	152,052
Municipal Fire Division	78,091	69,254
Contribution excess		
Municipal General Division	-	-
Municipal Police Division	-	-
Municipal Fire Division	-	-
City's covered payroll		
Municipal General Division	2,168,827	1,892,660
Municipal Police Division	885,799	804,508
Municipal Fire Division	360,697	319,880
Contributions as a percentage of covered-employee payroll		
Municipal General Division	9.55%	9.55%
Municipal Police Division	18.90%	18.90%
Municipal Fire Division	21.65%	21.65%

The amounts presented for each fiscal year were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. Amounts for covered payroll are imputed using the contribution rates for the various plans.

See Notes to Required Supplementary Information

CITY OF GRANTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

Change in accounting principle. For the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Additionally, the statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://osanm.org/ media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at [http://www.nmpera.org/ assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf](http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf). See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

SUPPLEMENTARY INFORMATION

**CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF GRANTS
 COMBINING BALANCE SHEETS
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016**

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection
ASSETS				
Pooled cash and investments	\$ 123,426	31,152	663	4,721
Accounts receivable	-	-	-	-
Grant revenue receivable	-	-	-	-
Total assets	\$ 123,426	31,152	663	4,721
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	7,046	-	-
Charges for Services	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	7,046	-	-
Fund Balances:				
Restricted	123,426	-	663	4,721
Assigned	-	24,106	-	-
Unassigned	-	-	-	-
Total fund balances	123,426	24,106	663	4,721
Total liabilities, deferred inflows of resources and fund balances	\$ 123,426	31,152	663	4,721

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

**CITY OF GRANTS
 COMBINING BALANCE SHEETS
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016**

	Foster Grandparents	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program
ASSETS				
Pooled cash and investments	\$ 182	502,331	1,716,767	-
Accounts receivable	-	15,612	-	-
Grant revenue receivable	12,522	-	-	-
Total assets	\$ 12,704	517,943	1,716,767	-
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Charges for Services	-	-	-	-
Due to other funds	4,000	-	-	-
Total liabilities	4,000	-	-	-
Fund Balances:				
Restricted	8,704	517,943	1,716,767	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	8,704	517,943	1,716,767	-
Total liabilities, deferred inflows of resources and fund balances	\$ 12,704	517,943	1,716,767	-

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

**CITY OF GRANTS
COMBINING BALANCE SHEETS
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016**

	Housing Authority Vouchers	Juvenile Recreation	Law Enforcement Protection	Litter Control and Beautification
ASSETS				
Pooled cash and investments	\$ 35,652	92,951	3,455	22
Accounts receivable	-	-	-	-
Grant revenue receivable	-	-	-	-
Total assets	\$ 35,652	92,951	3,455	22
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,608	-	-	-
Accrued payroll	1,048	-	-	-
Charges for Services	-	-	-	-
Due to other funds	12,626	-	-	-
Total liabilities	16,282	-	-	-
Fund Balances:				
Restricted	19,370	92,951	3,455	22
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	19,370	92,951	3,455	22
Total liabilities, deferred inflows of resources and fund balances	\$ 35,652	92,951	3,455	22

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

**CITY OF GRANTS
 COMBINING BALANCE SHEETS
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016**

	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional	Senior Companion Program
ASSETS				
Pooled cash and investments	\$ 38,228	24,813	68,993	343
Accounts receivable	-	40,276	-	-
Grant revenue receivable	-	-	-	10,998
Total assets	\$ 38,228	65,089	68,993	11,341
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued payroll	-	-	-	-
Charges for Services	-	-	-	-
Due to other funds	-	-	-	4,500
Total liabilities	-	-	-	4,500
Fund Balances:				
Restricted	38,228	65,089	68,993	6,841
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	38,228	65,089	68,993	6,841
Total liabilities, deferred inflows of resources and fund balances	\$ 38,228	65,089	68,993	11,341

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

**CITY OF GRANTS
 COMBINING BALANCE SHEETS
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016**

	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
ASSETS				
Pooled cash and investments	\$ 444	19,810	-	2,663,953
Accounts receivable	-	-	-	55,888
Grant revenue receivable	-	-	-	23,520
Total assets	\$ 444	19,810	-	2,743,361
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	-	2,608
Accrued payroll	960	-	-	9,054
Charges for Services	-	-	-	-
Due to other funds	2,000	-	-	23,126
Total liabilities	2,960	-	-	34,788
Fund Balances:				
Restricted	-	19,810	-	2,686,983
Assigned	-	-	-	24,106
Unassigned	(2,516)	-	-	(2,516)
Total fund balances	(2,516)	19,810	-	2,708,573
Total liabilities, deferred inflows of resources and fund balances	\$ 444	19,810	-	2,743,361

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

integral part

CITY OF GRANTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection
REVENUES				
Intergovernmental - federal	\$ -	145,483	-	-
Intergovernmental - state	-	168,158	8,101	245,238
Intergovernmental - other	-	32,400	-	-
State shared taxes and municipal taxes	-	-	-	-
Lodgers' tax	-	-	-	-
Fees, service charges, and rental revenue	-	19,823	-	-
Investment income	298	-	-	12
Sales of property	11,980	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	12,278	365,864	8,101	245,250
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	10,141	154,971
Public works	-	-	-	-
Health and welfare	6,757	442,113	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	6,757	442,113	10,141	154,971
Excess (deficiency) of revenues over expenditures	5,521	(76,249)	(2,040)	90,279
Other Financing Sources (Uses)				
Operating transfers in	-	80,000	-	-
Operating transfers out	-	-	-	(113,742)
Total other financing sources (uses)	-	80,000	-	(113,742)
Net changes in fund balances	5,521	3,751	(2,040)	(23,463)
Fund balance, beginning of year	117,905	20,355	2,703	28,184
Fund balances (deficit), end of year	\$ 123,426	24,106	663	4,721

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

CITY OF GRANTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Foster Grandparents	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program
REVENUES				
Intergovernmental - federal	\$ -	-	-	89,459
Intergovernmental - state	72,700	-	-	-
Intergovernmental - other	-	-	-	-
State shared taxes and municipal taxes	-	86,042	-	-
Lodgers' tax	-	-	-	-
Fees, service charges, and rental revenue	-	-	-	-
Investment income	-	1,519	2,018	-
Sales of property	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>72,700</u>	<u>87,561</u>	<u>2,018</u>	<u>89,459</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	72,700	-	-	621
Culture and recreation	-	-	-	-
Capital outlay	-	54,923	170,395	27,089
Total expenditures	<u>72,700</u>	<u>54,923</u>	<u>170,395</u>	<u>27,710</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>32,638</u>	<u>(168,377)</u>	<u>61,749</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	663,683	-
Operating transfers out	-	(141,618)	(900,000)	(61,749)
Total other financing sources (uses)	<u>-</u>	<u>(141,618)</u>	<u>(236,317)</u>	<u>(61,749)</u>
Net changes in fund balances	<u>-</u>	<u>(108,980)</u>	<u>(404,694)</u>	<u>-</u>
Fund balance, beginning of year	8,704	626,923	2,121,461	-
Fund balances (deficit), end of year	<u>\$ 8,704</u>	<u>517,943</u>	<u>1,716,767</u>	<u>-</u>

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

CITY OF GRANTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Housing Authority Vouchers	Juvenile Recreation	Law Enforcement Protection	Litter Control and Beautification
REVENUES				
Intergovernmental - federal	\$ 193,828	-	-	-
Intergovernmental - state	-	-	29,000	-
Intergovernmental - other	-	-	-	-
State shared taxes and municipal taxes	-	-	-	-
Lodgers' tax	-	-	-	-
Fees, service charges, and rental revenue	-	-	-	-
Investment income	3	265	-	-
Sales of property	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	193,831	265	29,000	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	25,578	-
Public works	-	-	-	-
Health and welfare	191,744	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	191,744	-	25,578	-
Excess (deficiency) of revenues over expenditures	2,087	265	3,422	-
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	2,087	265	3,422	-
Fund balance, beginning of year	17,283	92,686	33	22
Fund balances (deficit), end of year	\$ 19,370	92,951	3,455	22

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

CITY OF GRANTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional	Senior Companion Program
REVENUES				
Intergovernmental - federal	\$ -	-	-	-
Intergovernmental - state	-	-	-	83,693
Intergovernmental - other	-	-	-	-
State shared taxes and municipal taxes	-	-	-	-
Lodgers' tax	-	372,617	-	-
Fees, service charges, and rental revenue	55,938	-	-	-
Investment income	-	91	-	-
Sales of property	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	55,938	372,708	-	83,693
EXPENDITURES				
Current:				
General government	-	57,917	-	-
Public safety	172,451	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	83,588
Culture and recreation	-	-	347,691	-
Capital outlay	-	-	-	-
Total expenditures	172,451	57,917	347,691	83,588
Excess (deficiency) of revenues over expenditures	(116,513)	314,791	(347,691)	105
Other Financing Sources (Uses)				
Operating transfers in	100,000	-	368,800	-
Operating transfers out	-	(368,800)	-	-
Total other financing sources (uses)	100,000	(368,800)	368,800	-
Net changes in fund balances	(16,513)	(54,009)	21,109	105
Fund balance, beginning of year	54,741	119,098	47,884	6,736
Fund balances (deficit), end of year	\$ 38,228	65,089	68,993	6,841

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

CITY OF GRANTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
REVENUES				
Intergovernmental - federal	\$ -	-	-	428,770
Intergovernmental - state	35,140	-	-	642,030
Intergovernmental - other	-	-	-	32,400
State shared taxes and municipal taxes	-	-	-	86,042
Lodgers' tax	-	-	-	372,617
Fees, service charges, and rental revenue	-	-	-	75,761
Investment income	-	46	-	4,252
Sales of property	-	-	-	11,980
Donations	-	997	-	997
Miscellaneous	-	-	-	-
Total revenues	35,140	1,043	-	1,654,849
EXPENDITURES				
Current:				
General government	-	-	-	57,917
Public safety	-	-	4,494	367,635
Public works	-	-	-	-
Health and welfare	35,154	-	-	832,677
Culture and recreation	-	68	-	347,759
Capital outlay	-	-	-	252,407
Total expenditures	35,154	68	4,494	1,858,395
Excess (deficiency) of revenues over expenditures	(14)	975	(4,494)	(203,546)
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	1,212,483
Operating transfers out	-	-	-	(1,585,909)
Total other financing sources (uses)	-	-	-	(373,426)
Net changes in fund balances	(14)	975	(4,494)	(576,972)
Fund balance, beginning of year	(2,502)	18,835	4,494	3,285,545
Fund balances (deficit), end of year	\$ (2,516)	19,810	-	2,708,573

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
CEMETERY PERPETUAL CARE FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Sales of lots	\$ 10,000	12,278	12,278	-
Miscellaneous	-	-	-	-
Total revenues	<u>10,000</u>	<u>12,278</u>	<u>12,278</u>	<u>-</u>
EXPENDITURES				
Health and welfare	100,000	6,757	6,757	-
Capital outlay	-	-	-	-
Total expenditures	<u>100,000</u>	<u>6,757</u>	<u>6,757</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(90,000)</u>	<u>5,521</u>	<u>5,521</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(90,000)</u>	<u>5,521</u>	<u><u>5,521</u></u>	
Budgeted cash carryover	<u>90,000</u>			
	<u><u>\$ -</u></u>			

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ 5,521
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	<u>-</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ 5,521</u></u>

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

CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
CIBOLA SENIOR CITIZENS FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - federal	\$ 170,365	131,563	145,483	13,920
Intergovernmental - state	155,828	205,189	168,158	(37,031)
Miscellaneous	51,100	51,100	52,722	1,622
Total revenues	<u>377,293</u>	<u>387,852</u>	<u>366,363</u>	<u>(21,489)</u>
EXPENDITURES				
Health and welfare	498,403	441,403	440,785	618
Capital outlay	-	-	-	-
Total expenditures	<u>498,403</u>	<u>441,403</u>	<u>440,785</u>	<u>618</u>
Excess (deficiency) of revenues over expenditures	<u>(121,110)</u>	<u>(53,551)</u>	<u>(74,422)</u>	<u>(20,871)</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	100,000	80,000	80,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(21,110)	26,449	<u>5,578</u>	
Budgeted cash carryover	21,110	-		
	<u>\$ -</u>	<u>26,449</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ 5,578	
Adjustments for revenue accruals and investment earnings			-	
Adjustments for expenditures accruals			(2,074)	
ULD			<u>247</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 3,751</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
EMERGENCY MEDICAL SERVICES FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental revenue - State	\$ 9,300	8,101	8,101	-
Miscellaneous	-	-		-
Total revenues	<u>9,300</u>	<u>8,101</u>	<u>8,101</u>	<u>-</u>
EXPENDITURES				
Public safety	10,000	10,141	10,141	-
Capital outlay	-	-	-	-
Total expenditures	<u>10,000</u>	<u>10,141</u>	<u>10,141</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(700)</u>	<u>(2,040)</u>	<u>(2,040)</u>	<u>-</u>
Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(700)</u>	<u>(2,040)</u>	<u><u>(2,040)</u></u>	<u>-</u>
Budgeted cash carryover	<u>700</u>	<u>2,040</u>		
	<u><u>\$ -</u></u>	<u><u>-</u></u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (2,040)
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	<u>-</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ (2,040)</u></u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FIRE PROTECTION FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental revenue - State	\$ 245,000	245,238	245,238	-
Miscellaneous	-	12	12	-
Total revenues	<u>245,000</u>	<u>245,250</u>	<u>245,250</u>	<u>-</u>
EXPENDITURES				
Public safety	210,800	154,962	154,962	-
Capital outlay	-	-	-	-
Total expenditures	<u>210,800</u>	<u>154,962</u>	<u>154,962</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>34,200</u>	<u>90,288</u>	<u>90,288</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	(54,742)	(113,742)	(113,742)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(20,542)	(23,454)	<u>(23,454)</u>	
Budgeted cash carryover	20,542	23,454		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (23,454)
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	-
ULD	<u>(9)</u>
Net change in fund balance (GAAP Basis)	<u>\$ (23,463)</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOSTER GRANDPARENTS PROGRAM FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental revenue - state	\$ 72,700	72,700	70,646	(2,054)
Miscellaneous	-	-		-
Total revenues	<u>72,700</u>	<u>72,700</u>	<u>70,646</u>	<u>(2,054)</u>
EXPENDITURES				
Health and welfare	72,700	72,700	72,700	-
Capital outlay	-	-	-	-
Total expenditures	<u>72,700</u>	<u>72,700</u>	<u>72,700</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,054)</u>	<u>(2,054)</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	2,200	2,200	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>-</u>	<u>2,200</u>	<u>146</u>	

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ 146
Adjustments for revenue accruals	2,054
Adjustments for expenditures accruals	-
Transfers for budgetary purposes, recorded as due to/from for GAAP	<u>(2,200)</u>
Net change in fund balance (GAAP Basis)	<u>\$ -</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GASOLINE ROAD TAX FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes and municipal taxes	\$ 94,000	86,261	86,261	-
Miscellaneous	-	1,519	1,519	-
Total revenues	<u>94,000</u>	<u>87,780</u>	<u>87,780</u>	<u>-</u>
EXPENDITURES				
Highways and streets	75,000	54,922	54,922	-
Capital outlay	-	-	-	-
Total expenditures	<u>75,000</u>	<u>54,922</u>	<u>54,922</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>19,000</u>	<u>32,858</u>	<u>32,858</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	(391,618)	(141,618)	(141,618)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(372,618)	(108,760)	<u>(108,760)</u>	
Budgeted cash carryover	<u>372,618</u>	<u>108,760</u>		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (108,760)
Adjustments for revenue accruals	(220)
Adjustments for expenditures accruals	<u> </u>
Net change in fund balance (GAAP Basis)	<u>\$ (108,980)</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GRT STREET & PARKS IMPROVEMENTS
SPECIAL REVENUE FUND
Year Ended June 30, 2016**

	Approved Budget	Approved Budget	Actual	(Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$ -	-	-	-
Miscellaneous	2,000	2,000	2,018	18
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>2,018</u>	<u>18</u>
EXPENDITURES				
Public works	840,000	170,935	170,395	540
Capital outlay	-	-	-	-
Total expenditures	<u>840,000</u>	<u>170,935</u>	<u>170,395</u>	<u>540</u>
Excess (deficiency) of revenues over expenditures	<u>(838,000)</u>	<u>(168,935)</u>	<u>(168,377)</u>	<u>558</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	31,212	(263,317)	(236,317)	27,000
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(806,788)</u>	<u>(432,252)</u>	<u><u>(404,694)</u></u>	
Budgeted cash carryover	806,788	432,252		
	<u>\$ -</u>	<u>-</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ (404,694)	
Adjustments for revenue accruals			-	
Adjustments for expenditures accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (404,694)</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
HOUSING AUTHORITY CAPITAL FUNDS PROGRAM
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - federal	\$ -	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	-
Budgeted cash carryover	-	-		
	\$ -	-		

Note: A budget is not required by HUD or DFA for this fund.

Budgetary - GAAP Reporting Reconciliation

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

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
HOUSING AUTHORITY VOUCHERS FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - federal	\$ 150,000	193,831	193,831	-
Miscellaneous	-	-	-	-
Total revenues	<u>150,000</u>	<u>193,831</u>	<u>193,831</u>	<u>-</u>
EXPENDITURES				
Health and welfare	200,000	185,942	185,942	-
Capital outlay	-	-	-	-
Total expenditures	<u>200,000</u>	<u>185,942</u>	<u>185,942</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>7,889</u>	<u>7,889</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(50,000)</u>	<u>7,889</u>	<u><u>7,889</u></u>	
Budgeted cash carryover	<u>50,000</u>			
	<u><u>\$ -</u></u>			

Note: A budget is not required by HUD or DFA for this fund.
Management has used actual results as budgeted amounts

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ 7,889
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	(1,449)
Changes in interfund receivables	(6,459)
ULD	<u>2,106</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ 2,087</u></u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
JUVENILE RECREATION FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes and municipal taxes	\$ -	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Culture and recreation	60,000	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(60,000)</u>	<u>-</u>	<u>-</u>	
Budgeted cash carryover	<u>60,000</u>			
	<u>\$ -</u>	<u>-</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ -	
Adjustments for interest earnings not budgeted			265	
Adjustments for expenditures accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 265</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
LAW ENFORCEMENT PROTECTION FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental revenue - State	\$ 29,000	29,000	29,000	-
Miscellaneous	-	-	-	-
Total revenues	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	<u>-</u>
EXPENDITURES				
Public safety	25,000	25,578	25,578	-
Capital outlay	-	-	-	-
Total expenditures	<u>25,000</u>	<u>25,578</u>	<u>25,578</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>4,000</u>	<u>3,422</u>	<u>3,422</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	4,000	3,422	<u>3,422</u>	
Budgeted cash carryover	(4,000)	-		
	<u>\$ -</u>	<u>3,422</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ 3,422	
Adjustments for revenue accruals			-	
Adjustments for expenditures accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 3,422</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
LITTER CONTROL AND BEAUTIFICATION FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental revenue - state	\$ 7,100	-	6,832	6,832
Miscellaneous	-	-	-	-
Total revenues	<u>7,100</u>	<u>-</u>	<u>6,832</u>	<u>6,832</u>
EXPENDITURES				
Health and welfare	7,100	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6,832</u>	<u>6,832</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	6,830	(6,830)	(13,660)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>-</u>	<u>6,830</u>	<u>2</u>	

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (6,830)
Adjustments for revenue accruals	6,830
Adjustments for expenditures accruals	-
Transfers for budgetary purposes, recorded as due to/from for GAAP	<u>-</u>
Net change in fund balance (GAAP Basis)	<u>\$ -</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
LOCAL GOVERNMENT CORRECTIONS FUND
SPECIAL REVENUE FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Correction fees	\$ 40,000	55,938	55,938	-
Miscellaneous	-	-	-	-
Total revenues	<u>40,000</u>	<u>55,938</u>	<u>55,938</u>	<u>-</u>
EXPENDITURES				
Public safety	150,000	182,082	182,082	-
Capital outlay	-	-	-	-
Total expenditures	<u>150,000</u>	<u>182,082</u>	<u>182,082</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(110,000)</u>	<u>(126,144)</u>	<u>(126,144)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	100,000	100,000	100,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(10,000)</u>	<u>(26,144)</u>	<u><u>(26,144)</u></u>	
Budgeted cash carryover	10,000	26,144		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (26,144)
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	<u>9,631</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ (16,513)</u></u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
LODGERS' TAX FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Lodgers tax	\$ 390,000	369,928	369,928	-
Miscellaneous	-	91	91	-
Total revenues	<u>390,000</u>	<u>370,019</u>	<u>370,019</u>	<u>-</u>
EXPENDITURES				
General government	422,000	413,836	413,836	-
Capital outlay	-	-	-	-
Total expenditures	<u>422,000</u>	<u>413,836</u>	<u>413,836</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(32,000)</u>	<u>(43,817)</u>	<u>(43,817)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(32,000)</u>	<u>(43,817)</u>	<u>(43,817)</u>	<u>-</u>
Budgeted cash carryover	<u>32,000</u>	<u>43,817</u>		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (43,817)
Adjustments for revenue accruals	2,689
Excess of revenues over expenditures in Lodgers Tax Promo fund	<u>(12,881)</u>
Net change in fund balance (GAAP Basis)	<u>\$ (54,009)</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
LODGERS' TAX PROMOTIONAL FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Lodgers tax	\$ -	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Culture and recreation	368,800	355,919	355,919	-
Capital outlay	-	-	-	-
Total expenditures	<u>368,800</u>	<u>355,919</u>	<u>355,919</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(368,800)</u>	<u>(355,919)</u>	<u>(355,919)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	368,800	368,800	368,800	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	12,881	<u>12,881</u>	<u>-</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>12,881</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ 12,881
Adjustments for revenue accruals and earnings on investments	-
Adjustments for expenditures accruals	<u>8,228</u>
Net change in fund balance (GAAP Basis)	<u>\$ 21,109</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
SENIOR COMPANION PROGRAM FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - State	\$ 83,693	83,693	89,087	5,394
Miscellaneous	-	-	-	-
Total revenues	<u>83,693</u>	<u>83,693</u>	<u>89,087</u>	<u>5,394</u>
EXPENDITURES				
Health and welfare	83,693	83,693	83,693	-
Capital outlay	-	-	-	-
Total expenditures	<u>83,693</u>	<u>83,693</u>	<u>83,693</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,394</u>	<u>5,394</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	(5,100)	(5,100)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	(5,100)	<u>294</u>	
Budgeted cash carryover	-	5,100		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ 294
Adjustments for revenue accruals	(5,394)
Adjustments for expenditures accruals	105
Transfers for budgetary purposes, recorded as due to/from for GAAP	<u>5,100</u>
Net change in fund balance (GAAP Basis)	<u>\$ 105</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
SENIOR EMPLOYMENT PROGRAM FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$ 34,824	34,824	35,140	316
Miscellaneous	-	-	-	-
Total revenues	<u>34,824</u>	<u>34,824</u>	<u>35,140</u>	<u>316</u>
EXPENDITURES				
Health and welfare	34,824	34,824	34,824	-
Capital outlay	-	-	-	-
Total expenditures	<u>34,824</u>	<u>34,824</u>	<u>34,824</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>316</u>	<u>316</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	(500)	(500)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	(500)	<u>(184)</u>	
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>(500)</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ (184)	
Adjustments for revenue accruals				
Adjustments for expenditures accruals			(330)	
Transfers for budgetary purposes, recorded as due to/from for GAAP			<u>500</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (14)</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
SPECIAL LIBRARY DONATION FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - State	\$ 700	1,043	1,043	-
Miscellaneous	-	-	-	-
Total revenues	<u>700</u>	<u>1,043</u>	<u>1,043</u>	<u>-</u>
EXPENDITURES				
Culture and recreation	17,500	68	68	-
Capital outlay	-	-	-	-
Total expenditures	<u>17,500</u>	<u>68</u>	<u>68</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(16,800)</u>	<u>975</u>	<u>975</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(16,800)</u>	<u>975</u>	<u><u>975</u></u>	<u><u>-</u></u>
Budgeted cash carryover	16,800	-		
	<u>\$ -</u>	<u>975</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ 975
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	<u>-</u>
Net change in fund balance (GAAP Basis)	<u><u>\$ 975</u></u>

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

CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
STATE AND LOCAL NARCOTICS ASSISTANCE CONTROL PROGRAM FUND
SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - State	\$ -	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Public safety	4,000	4,000	4,494	(494)
Capital outlay	-	-	-	-
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,494</u>	<u>(494)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,494)</u>	<u>(494)</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(4,000)	(4,000)	<u>(4,494)</u>	
Budgeted cash carryover	4,000	4,000		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (4,494)
Adjustments for revenue accruals	-
Adjustments for expenditures accruals	<u>-</u>
Net change in fund balance (GAAP Basis)	<u>\$ (4,494)</u>

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

**CITY OF GRANTS
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2016**

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
 COMBINING BALANCE SHEETS
 NONMAJOR DEBT SERVICE FUNDS
 June 30, 2016**

	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve	NMFA Loan	NMFA Reserve	Totals
ASSETS					
Pooled cash and investments	\$ 302,280	-	15	-	302,295
Cash held with trustee	-	-	140,188	84,196	224,384
Total assets	\$ 302,280	-	140,203	84,196	526,679
LIABILITIES AND FUND BALANCES					
Liabilities	\$ -	-	-	-	-
Fund Balances:					
Restricted	302,280	-	140,203	84,196	526,679
Total fund balances	302,280	-	140,203	84,196	526,679
Total liabilities and fund balances	\$ 302,280	-	140,203	84,196	526,679

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

**CITY OF GRANTS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
Year Ended June 30, 2016**

	GRT Revenue Bond Debt Service	GRT Revenue Bond Service	NMFA Loan	NMFA Reserve	Totals
REVENUES					
Investment income	\$ -	-	454	834	1,288
Total revenues	-	-	454	834	1,288
EXPENDITURES					
Debt service:					
Principal	-	-	148,849	-	148,849
Interest	-	-	14,743	-	14,743
Fees	-	-	213	-	213
Total expenditures	-	-	163,805	-	163,805
Excess (deficiency) of revenues over expenditures	-	-	(163,351)	834	(162,517)
Other Financing Sources (Uses)					
Operating transfers in	-	-	166,873	-	166,873
Operating transfers out	-	-	-	(707)	(707)
Total other financing sources (uses)	-	-	166,873	(707)	166,166
Net changes in fund balances	-	-	3,522	127	3,649
Fund balance, beginning of year	302,280	-	136,681	84,069	523,030
Fund balances, end of year	\$ 302,280	-	140,203	84,196	526,679

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GRT REVENUE BOND DEBT SERVICE FUND 1993A
DEBT SERVICE FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Loan proceeds	\$ -	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ -	
Adjustments for revenue accruals			-	
Adjustments for expenditures accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GRT REVENUE BOND RESERVE FUND 1993A
DEBT SERVICE FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Loan proceeds	\$ -	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	<u>-</u>	<u>-</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>-</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ -	
Adjustments for revenue accruals			-	
Adjustments for expenditures accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
NMFA LOAN FUND
DEBT SERVICE FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Loan proceeds	\$ -	-	-	-
Miscellaneous	500	500	454	(46)
Total revenues	<u>500</u>	<u>500</u>	<u>454</u>	<u>(46)</u>
EXPENDITURES				
Principal	104,089	159,132	148,849	10,283
Interest	2,967	14,554	14,140	414
Other costs	8,500	816	816	-
Total expenditures	<u>115,556</u>	<u>174,502</u>	<u>163,805</u>	<u>10,697</u>
Excess (deficiency) of revenues over expenditures	<u>(115,056)</u>	<u>(174,002)</u>	<u>(163,351)</u>	<u>10,651</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	<u>311,123</u>	<u>176,863</u>	<u>166,873</u>	<u>(9,990)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>196,067</u>	<u>2,861</u>	<u>3,522</u>	<u>661</u>
Budgeted cash carryover	<u>(196,067)</u>	<u>(196,067)</u>		
	<u>\$ -</u>	<u>(193,206)</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ 3,522	
Adjustments for revenue accruals			-	
Adjustments for expenditures accruals			-	
ULD				
Net change in fund balance (GAAP Basis)			<u>\$ 3,522</u>	

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
NMFA RESERVE FUND
DEBT SERVICE FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Loan proceeds	\$ -	-	-	-
Miscellaneous	-	-	834	834
Total revenues	<u>-</u>	<u>-</u>	<u>834</u>	<u>834</u>
EXPENDITURES				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>834</u>	<u>834</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	-	-	(707)	(707)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>-</u>	<u>-</u>	<u>127</u>	<u>127</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		
Budgetary - GAAP Reporting Reconciliation				
Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)			\$ 127	
Adjustments for revenue accruals			-	
Adjustments for expenditures accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 127</u>	

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

**CITY OF GRANTS
 COMBINING BALANCE SHEET
 TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPED
 June 30, 2016**

	Special Revenue	Debt Service	Total
ASSETS			
Pooled cash and investments	\$ 2,663,953	302,295	2,966,248
Cash held with trustee	-	224,384	224,384
Accounts receivable	55,888	-	55,888
Grant revenue receivable	23,520	-	23,520
Total assets	\$ 2,743,361	526,679	3,270,040
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,608	-	2,608
Accrued payroll	9,054	-	9,054
Due to other funds	23,126	-	23,126
Total liabilities	34,788	-	34,788
Fund Balances:			
Restricted	2,686,983	526,679	3,213,662
Assigned	24,106	-	24,106
Unassigned	(2,516)	-	(2,516)
Total fund balances	2,708,573	526,679	3,235,252
Total liabilities and fund balances	\$ 2,743,361	526,679	3,270,040

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

**CITY OF GRANTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
Year Ended June 30, 2016**

	Special Revenue	Debt Service	Total
REVENUES			
Intergovernmental - federal	\$ 428,770	-	428,770
Intergovernmental - state	642,030	-	642,030
Intergovernmental - other	32,400	-	32,400
State shared and municipal taxes	86,042	-	86,042
Lodgers' tax	372,617	-	372,617
Fees	75,761	-	75,761
Investment income	4,252	1,288	5,540
Sales of property	11,980	-	11,980
Donations	997	-	997
Miscellaneous	-	-	-
Total revenues	<u>1,654,849</u>	<u>1,288</u>	<u>1,656,137</u>
EXPENDITURES			
Current:			
General government	57,917	-	57,917
Public safety	367,635	-	367,635
Public works	-	-	-
Health and welfare	832,677	-	832,677
Culture and recreation	347,759	-	347,759
Capital outlay	252,407	-	252,407
Debt service:			
Principal	-	148,849	148,849
Interest	-	14,743	14,743
Fees	-	213	213
Total expenditures	<u>1,858,395</u>	<u>163,805</u>	<u>2,022,200</u>
Excess (deficiency) of revenues over expenditures	<u>(203,546)</u>	<u>(162,517)</u>	<u>(366,063)</u>
Other Financing Sources (Uses):			
Operating transfers in	1,212,483	166,873	1,379,356
Operating transfers (out)	(1,585,909)	(707)	(1,586,616)
Total other financing sources (uses)	<u>(373,426)</u>	<u>166,166</u>	<u>(207,260)</u>
Net changes in fund balances	(576,972)	3,649	(573,323)
Fund balance, beginning of year, as previously stated	3,285,545	523,030	3,808,575
Fund balance, end of year	<u>\$ 2,708,573</u>	<u>526,679</u>	<u>3,235,252</u>

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

**CITY OF GRANTS
CAPITAL PROJECTS FUNDS
JUNE 30, 2016**

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
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GENERAL GOVERNMENT IMPROVEMENTS
CAPITAL PROJECTS FUND
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$ 1,500,438	500,438	479,208	(21,230)
Intergovernmental - federal	200,000	55,000	52,901	(2,099)
Miscellaneous	10,500	40,500	44,219	3,719
Total revenues	<u>1,710,938</u>	<u>595,938</u>	<u>576,328</u>	<u>(19,610)</u>
EXPENDITURES				
Culture and recreation	-	-	-	-
Capital outlay	2,978,000	4,778,000	3,584,055	1,193,945
Total expenditures	<u>2,978,000</u>	<u>4,778,000</u>	<u>3,584,055</u>	<u>1,193,945</u>
Excess (deficiency) of revenues over expenditures	<u>(1,267,062)</u>	<u>(4,182,062)</u>	<u>(3,007,727)</u>	<u>1,174,335</u>
Other Financing Sources (Uses)				
Operating transfers in (out), net	1,350,000	2,900,000	2,900,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	82,938	(1,282,062)	<u>(107,727)</u>	<u>1,174,335</u>
Budgeted cash carryover	-	1,282,062		
	<u>\$ 82,938</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Excess (deficiency) of revenues over expenditures and other financing sources (uses) (budgetary)	\$ (141,502)
Adjustments for revenue accruals	221,273
Adjustments for expenditures accruals	<u>692,974</u>
Net change in fund balance (GAAP Basis)	<u>\$ 772,745</u>

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

**CITY OF GRANTS
PROPRIETARY FUNDS
JUNE 30, 2016**

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.

Housing Authority 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.

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

**CITY OF GRANTS
BALANCE SHEET
NONMAJOR PROPRIETARY FUNDS
June 30, 2016**

	Golf Course	Housing Authority Low Rent	Airport	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 7,491	76,550	5,855	89,896
Accounts receivable - other	196	-	14,523	14,719
Accounts receivable - tenants (net of allowance)	-	3,720	-	3,720
Due from other funds	-	12,626	-	12,626
Total current assets	7,687	92,896	20,378	120,961
Non-Current Assets				
Capital Assets:				
Capital assets - not depreciated	-	46,724	-	46,724
Capital assets - depreciated	2,173,565	1,157,355	-	3,330,920
Less accumulated depreciation	(1,457,470)	(766,679)	-	(2,224,149)
Net capital assets	716,095	437,400	-	1,153,495
Total assets	723,782	530,296	20,378	1,274,456
DEFERRED OUTFLOWS OF RESOURCES				
Contributions subsequent to measurement date	22,784	4,142	2,071	28,997
Deferred outflows related to pensions	12,581	2,287	1,144	16,012
Total deferred outflows of resources	35,365	6,429	3,215	45,009
LIABILITIES				
Current Liabilities:				
Accounts payable	2,471	5,563	-	8,034
Accrued payroll	12,002	2,752	1,574	16,328
Tenant security deposits/utility deposits	-	4,500	-	4,500
Prepaid rents	-	1,627	-	1,627
Due to other funds	-	-	-	-
Current portion of compensated absences	26,850	3,330	-	30,180
Current portion of long-term debt/lease payable	-	-	-	-
Total current liabilities	41,323	17,772	1,574	60,669
Noncurrent Liabilities				
Net pension liability	278,031	50,551	25,276	353,858
Compensated absences	4,371	(47)	-	4,324
Long-term debt	-	-	-	-
Total noncurrent liabilities	282,402	50,504	25,276	358,182
Total liabilities	323,725	68,276	26,850	418,851
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	7,146	1,299	650	9,095
NET POSITION				
Net investment in capital assets	716,095	437,400	-	1,153,495
Unrestricted	(287,819)	29,750	(3,907)	(261,976)
Total net position	\$ 428,276	467,150	(3,907)	891,519

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

CITY OF GRANTS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Golf Course	Housing Authority Low Rent	Airport	Total
OPERATING REVENUES				
Water, sewer and refuse sales	\$ -	-	-	-
Golf fees	380,802	-	-	380,802
Rental income	-	38,578	-	38,578
Total operating revenues	380,802	38,578	-	419,380
OPERATING EXPENSES				
Operating expenses	866,629	126,333	170,124	1,163,086
Depreciation	31,751	29,496	-	61,247
Total operating expenses	898,380	155,829	170,124	1,224,333
Net income (loss) from operations	(517,578)	(117,251)	(170,124)	(804,953)
NON-OPERATING REVENUES (EXPENSES)				
Federal grants and subsidies	-	62,319	-	62,319
Interest earnings	-	-	-	-
Interest expense	-	-	-	-
Other miscellaneous income (expense)	-	1,501	135,285	136,786
Total non-operating revenues (expenses)	-	63,820	135,285	199,105
Net income (loss) before contributions and transfers	(517,578)	(53,431)	(34,839)	(605,848)
Operating transfers in	350,000	61,749	20,000	431,749
Operating transfers (out)	-	-	-	-
Capital transfers in	-	-	-	-
Capital transfers (out)	-	-	-	-
Change in net position	(167,578)	8,318	(14,839)	(174,099)
Net position, beginning of year	595,854	458,832	10,932	1,065,618
Total fund net position, at end of year	\$ 428,276	467,150	(3,907)	891,519

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

**CITY OF GRANTS
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016**

	Golf Course	Housing Authority Low Rent	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 381,249	39,136	(4,112)	416,273
Cash paid to suppliers	(390,288)	(84,001)	(147,413)	(621,702)
Cash paid to and on behalf of employees	(345,638)	(15,508)	1,574	(359,572)
Net cash provided (used) by operating activities	(354,677)	(60,373)	(149,951)	(565,001)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants and subsidies	-	62,319	135,285	197,604
Advances (to) from other funds	-	(6,459)	-	(6,459)
Transfers in (out)	350,000	61,749	-	411,749
Other miscellaneous income (expense)	-	1,501	20,000	21,501
Net cash provided (used) by noncapital financing activities	350,000	119,110	155,285	624,395
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	-	-	-	-
Principal paid: revenue bonds/lease purchase/advances	-	-	-	-
Interest paid: revenue bonds/lease purchase/advances	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in pooled cash	(4,677)	58,737	5,334	59,394
Pooled cash and investments, beginning of year	12,168	17,813	521	30,502
Pooled cash and investments, end of year	\$ 7,491	76,550	5,855	89,896
Cash and cash equivalents	\$ 7,491	76,550	5,855	89,896
Restricted cash	-	-	-	-
Total cash	\$ 7,491	76,550	5,855	89,896
Non Cash Transactions:				
Capital assets transferred in/(out)	\$ -	-	-	-

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

CITY OF GRANTS
STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2016

	Golf Course	Housing Authority Low Rent	Airport	Total
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (517,578)	(117,251)	(170,124)	(804,953)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	31,751	29,496	-	61,247
Net pension related adjustments	157,883	22,562	22,711	203,156
Change in assets and liabilities				
(Increase) decrease in assets:				
Accounts receivable	447	(835)	(4,112)	(4,500)
Inventories	-	-	-	-
Increase (decrease) in liabilities:				
Accounts and contracts payable	(37,296)	2,965	-	(34,331)
Wages payable	1,171	1,636	1,574	4,381
Compensated absences	8,945	(589)	-	8,356
Tenant deposits/utility deposits	-	250	-	250
Tenants prepaid rent	-	1,393	-	1,393
Total adjustments	<u>162,901</u>	<u>56,878</u>	<u>20,173</u>	<u>239,952</u>
Net cash provided (used) by operating activities	<u>\$ (354,677)</u>	<u>(60,373)</u>	<u>(149,951)</u>	<u>(565,001)</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
GOLF COURSE OPERATING FUND
ENTERPRISE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Golf course fees	\$ 675,000	381,147	381,147	-
Rental income	-	-	-	-
Total revenues	<u>675,000</u>	<u>381,147</u>	<u>381,147</u>	-
OPERATING EXPENSES				
Personnel	-	-	-	-
Operating	907,224	735,820	735,820	-
Capital outlay	-	-	-	-
Total operating expenses	<u>907,224</u>	<u>735,820</u>	<u>735,820</u>	-
Operating income (loss)	<u>(232,224)</u>	<u>(354,673)</u>	<u>(354,673)</u>	-
NONOPERATING REVENUE (EXPENSES)				
Federal grants and subsidies	-	-	-	-
Miscellaneous income (expense)	-	-	-	-
Transfers in	350,000	350,000	350,000	-
Transfers (out)	-	-	-	-
Total nonoperating revenue (expenses)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	-
Net income (loss) after transfers	<u>\$ 117,776</u>	<u>(4,673)</u>	<u>(4,673)</u>	
Budgeted cash carryover	<u>(117,776)</u>	<u>4,673</u>		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Net income (loss) after transfers	\$ (4,673)
Adjustments for revenue accruals	(344)
Changes in pension related balances	(157,883)
Adjustments for expense accruals	27,073
Adjustments for depreciation	<u>(31,751)</u>
Change in net position (GAAP) basis	<u>\$ (167,578)</u>

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

**CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
LOW RENT
ENTERPRISE FUNDS
Year Ended June 30, 2016**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Rental income	\$ 95,000	39,093	39,093	-
Other	-	-	-	-
Total revenues	95,000	39,093	39,093	-
OPERATING EXPENSES				
Operating	100,000	105,830	105,830	-
Capital outlay	-	-	-	-
Total operating expenses	100,000	105,830	105,830	-
Operating income (loss)	(5,000)	(66,737)	(66,737)	-
NONOPERATING REVENUE (EXPENSES)				
Federal grants and subsidies	-	62,319	62,319	-
Miscellaneous income (expense)	-	-	-	-
Transfers in	-	61,288	61,288	-
Transfers (out)	-	-	-	-
Total nonoperating revenue (expenses)	-	123,607	123,607	-
Net income (loss) after transfers	(5,000)	56,870	56,870	
Budgeted cash carryover	-			
	<u>\$ (5,000)</u>			

Budgetary - GAAP Reporting Reconciliation

Net income (loss) after transfers	\$ 56,870
Adjustments for revenue accruals	835
Adjustments for expense accruals	(4,013)
Changes in interfund receivables	6,459
Changes in pension related balances	(22,439)
Adjustments for depreciation	(29,496)
ULD	102
Change in net position (GAAP) basis	\$ 8,318

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

CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
UTILITIES
ENTERPRISE FUNDS
Year Ended June 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Water, sewer and refuse sales	\$ 5,691,500	6,635,203	6,382,255	(252,948)
Rental income	-	-	-	-
Total revenues	<u>5,691,500</u>	<u>6,635,203</u>	<u>6,382,255</u>	<u>(252,948)</u>
OPERATING EXPENSES				
Operating	5,935,716	5,216,779	5,106,440	110,339
Depreciation	-	-	-	-
Total operating expenses	<u>5,935,716</u>	<u>5,216,779</u>	<u>5,106,440</u>	<u>110,339</u>
Operating income (loss)	<u>(244,216)</u>	<u>1,418,424</u>	<u>1,275,815</u>	<u>(142,609)</u>
NONOPERATING REVENUE (EXPENSES)				
Interest on investments	-	6,290	7,021	731
Intergovernmental revenue - State	-	-	150,000	150,000
Operating transfers in	141,250	166,122	166,122	-
Operating transfers (out)	(1,069,848)	(1,719,377)	(1,250,000)	469,377
Total nonoperating revenue (expenses)	<u>(928,598)</u>	<u>(1,546,965)</u>	<u>(926,857)</u>	<u>620,108</u>
Net income (loss) after transfers	<u>(1,172,814)</u>	<u>(128,541)</u>	<u>348,958</u>	<u>477,499</u>
Budgeted cash carryover	<u>1,172,814</u>	<u>128,541</u>		
	<u>\$ -</u>	<u>-</u>		

Budgetary - GAAP Reporting Reconciliation

Net income (loss) after transfers	\$ 348,958
Adjustments for revenue accruals	332,062
Adjustments for expense accruals	(336,832)
Changes in pension related balances	(179,505)
Adjustments for principal payments	395,391
Adjustments for capital transfer in	-
Adjustments for capital outlay	1,181,279
Adjustments for depreciation	<u>(564,674)</u>
Change in net position (GAAP) basis	<u>\$ 1,176,679</u>

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

CITY OF GRANTS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
AIRPORT
ENTERPRISE FUNDS
Year Ended June 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 100,000	137,131	137,131	-
Rental income	-	-	-	-
Total revenues	<u>100,000</u>	<u>137,131</u>	<u>137,131</u>	<u>-</u>
OPERATING EXPENSES				
Operating	75,000	151,797	151,797	-
Depreciation	-	-	-	-
Total operating expenses	<u>75,000</u>	<u>151,797</u>	<u>151,797</u>	<u>-</u>
Operating income (loss)	<u>25,000</u>	<u>(14,666)</u>	<u>(14,666)</u>	<u>-</u>
NONOPERATING REVENUE (EXPENSES)				
Interest on investments	-	-	-	-
Miscellaneous income (expense)	-	-	-	-
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Operating transfers in	-	20,000	20,000	-
Operating transfers (out)	-	-	-	-
Total nonoperating revenue (expenses)	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net income (loss) after transfers	<u>25,000</u>	<u>5,334</u>	<u>5,334</u>	

Budgetary - GAAP Reporting Reconciliation

Net income (loss) after transfers	\$ 5,334
Adjustments for revenue accruals	(1,846)
Adjustments for expense accruals	4,384
Changes in pension related accounts	(22,711)
Adjustments for depreciation	<u>-</u>
Change in net position (GAAP) basis	<u>\$ (14,839)</u>

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

SUPPLEMENTARY SCHEDULES

**CITY OF GRANTS
FIDUCIARY FUNDS
JUNE 30, 2016**

FIDUCIARY FUND TYPES

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

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

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

**CITY OF GRANTS
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2016**

	Balance June 30, 2015	Increase	Decrease	Balance June 30, 2016	
Appearance Bond Fund:					
Assets					
Petty cash	\$ 500	-	-	500	-
Cash in bank	25,455	22,300	25,690	22,065	-
Total assets	<u>\$ 25,955</u>	<u>22,300</u>	<u>25,690</u>	<u>22,565</u>	-
Liabilities					
Deposits held for others	\$ 25,955	22,300	25,690	22,565	-
Senior Activity Account:					
Assets					
Cash in bank	\$ 910	454	701	663	-
Liabilities					
Funds held for seniors	\$ 910	454	701	663	-
Total Agency Funds:					
Assets					
Petty cash	\$ 500	-	-	500	-
Cash in bank	26,365	22,754	26,391	22,728	-
Total assets	<u>\$ 26,865</u>	<u>22,754</u>	<u>26,391</u>	<u>23,228</u>	-
Liabilities					
Deposits held for others	\$ 26,865	22,754	26,391	23,228	-

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

CITY OF GRANTS
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2016

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	Grants State Bank	Pooled cash	\$ 7,665,692	6,866,617
Interest bearing checking	Wells Fargo	General Government Impr	56,832	56,832
Interest bearing checking	Wells Fargo	Payroll	122,209	-
Interest bearing checking	US Bank	Low Rent Housing	48,179	76,550
Interest bearing checking	US Bank	Section 8 Voucher	36,109	35,652
Held & Directed by Trustee	NMFA	Debt Service - Museum	132,801	132,801
Held & Directed by Trustee	NMFA	Debt Reserve - Museum	64,814	64,814
Held & Directed by Trustee	NMFA	Debt Service - Street Sweeper	7,085	7,295
Held & Directed by Trustee	NMFA	Debt Reserve - Street Sweeper	19,353	19,382
Held & Directed by Trustee	NMFA	Debt Service - Fire Truck	92	92
Held & Directed by Trustee	NMFA	Debt Service - Flood Prevention	700,000	700,000
CD	Grants State Bank	Pooled cash	500,000	500,000
CD	Grants State Bank	Pooled cash	400,000	400,000
CD	Wells Fargo	Pooled cash	400,000	400,000
CD	Wells Fargo	Pooled cash	500,000	500,000
CD	Wells Fargo	Pooled cash	500,000	500,000
			11,153,166	10,260,035
	Petty Cash	General Operating	-	1,840
	Petty Cash	Cibola Senior Center	-	66
	Petty Cash	Utilities	-	495
	Petty Cash	Water meter deposits	-	200
	Total cash and cash equivalents - non-agency		\$ 11,153,166	10,262,636
Investment	NM State Treasurer	Local Govt Investment Pool	5,036,725	5,036,725
Total deposit and investment accounts - non-agency			\$ 16,189,891	15,299,361
Agency funds cash accounts				
Interest bearing checking	Grants State Bank	Pooled cash	\$ 22,728	22,728
Petty Cash	Appearance Bonds		-	500
Total cash - agency funds			\$ 22,728	23,228
				Government activities
				10,365,968
				Business-type activities
				3,866,796
				Business-type activities - restricted
				1,066,597
				Fiduciary funds
				23,228
				<u>15,322,589</u>

CITY OF GRANTS
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2016

	Grants State Bank	Wells Fargo	US Bank	Total
Deposits at June 30, 2016	\$ 8,588,420	1,579,041	84,288	10,251,749
Less: FDIC or NCUSIF coverage	500,000	429,041	84,288	1,013,329
Uninsured public funds	8,088,420	1,150,000	-	9,238,420
Pledged collateral held by the pledging bank's trust department or agent but not in the City's name	7,901,982	1,578,680	-	9,480,662
Uninsured and uncollateralized	\$ 186,438	(428,680)	-	(242,242)
50% pledged collateral requirement per statute	\$ 4,044,210	575,000	-	4,619,210
Total pledged collateral	7,901,982	1,578,680	-	9,480,662
Pledged collateral over the requirement	\$ (3,857,772)	(1,003,680)	-	(4,861,452)

Pledged collateral at June 30, 2016 consists of the following:

Security	CUSIP	Maturity	Fair Market Value
<i>Wells Fargo</i>			
FNMS 3.500%	3138AX4U2	2/1/2042	\$ 1,536,820
FNMS 3.000%	3138LUSQ9	6/1/2042	20,313
FNMS 4.500%	31419FAV8	4/1/2041	21,547
			<u>1,578,680</u>
<i>Grants State Bank</i>			
ALAMOGORDO NM MUNI SD #1 GO	011464GW8	8/1/2021	788,625
ALBUQUERQUE NM MUNI SD #12 GO	013595LL5	8/1/2021	789,747
CLOVIS NM MUNI SCH DIST #1 BQ GO	189414KP9	8/1/2019	155,253
ESTANCIA NM MUNI SO #7 BQ GO	297326FC9	6/15/2017	250,540
GRANTS & CIBOLA CNTYS NM SCH DIST N0	388240EJ8	11/15/2017	208,650
GRANTS & CIBOLA CNTYS NM SD #1 GO	388240FR9	4/15/2019	504,720
GRANTS & CIBOLA CO NM SO #1 BQ GO	388240GL1	10/1/2022	261,548
LAS VEGAS NMCITY SCH DIST BQ	51778FCF4	7/15/2015	491,425
LOS BANOS CA UNIF SD ZERO BQ GO	545438DS9	8/1/2018	830,385
SANTA FE CNTY NM BQ NONC	801889LR5	7/1/2019	218,840
SOUTHERN SANDOVAL NM FLOOD BQ ARR	843789EY0	8/1/2023	142,990
WEST LAS VEGAS SD NONCALL FR	953769GM2	12/1/2015	545,505
WEST LAS VEGAS NM SCH DIST BQ	953769JK3	7/15/2015	528,945
CORRALES NM GROSS RECPTS TAX REV	22026TAE0	5/1/2018	455,528
JOLIET IL WTRWKS & SEWAGE BQ REV	479790JU2	1/1/2020	519,970
NEW MEXICO ST SEVERANCE TAX REV	647310K26	7/1/2019	337,440
NEW MEXICO ST SEVERANCE TAX REV	647310K26	7/1/2019	562,400
TAOS NM GROSS RCPTS BQ CALL	87601RAL4	6/1/2023	309,471
			<u>7,901,982</u>
Total pledged collateral			<u>\$ 9,480,662</u>

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

CITY OF GRANTS
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2016

<u>Participants</u>	<u>Party Responsible for Operations</u>	<u>Description</u>	<u>Beginning and Ending Dates</u>	<u>Total Estimated Amount of Project</u>	<u>Contribution 6/30/2016</u>	<u>Audit Responsibility</u>	<u>Revenues and Expenditures Reported on:</u>
City of Grants NW New Mexico Solid Waste Authority	NW New Mexico Regional Solid Waste Authority	Solid waste disposal services	July 1, 2014 June 30, 2015	N/A	7,459	WM NM Solid Waste	Rev:NM 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	30,453	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	282,339	County of Cibola	Rev: County of Cibola

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

**CITY OF GRANTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Program Title	Federal Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Expenditures
U.S. Department of Health and Human Services				
Passed through North Central				
New Mexico Economic Development District				
Special Programs for the Aging Title III, Part B	94.044	2015-16 60016	44,070	44,070
Special Programs for the Aging Title III, Part C	93.045	Unknown	60,473	60,473
Passed through Area Agency on Aging				
Nutritional Service Incentive Program	93.053	2015-16	27,020	27,020
Total U.S. Department of Health and Human Services			131,563	131,563
U.S. Department of Housing and Urban Development				
CDBG				
Low Rent Public Housing Operating Subsidy-Housing	14.850	NM030-00000115D	362,980	279,914
Section 8 Rental Voucher Program - Housing	14.871	N/A	55,852	52,406
Public Housing Capital Fund	14.872	NM02P030501-12	184,187	204,402
Public Housing Capital Fund	14.872	NM02P030501-13	29,858	29,858
Public Housing Capital Fund	14.872	NM02P030501-14	28,300	28,300
Public Housing Capital Fund	14.872	NM02P030501-15	31,301	31,301
Public Housing Capital Fund	14.872	NM02P030501-16	32,227	-
Public Housing Capital Fund	14.872	NM02P030501-16	33,313	-
Total U.S. Department of Housing and Urban Development			758,018	626,181
U.S. Department of Homeland Security				
Passed through New Mexico Department of Homeland Security and Emergency Management				
Disaster Grants - College Bridge Road	97.036	FEMA-4047-DR-NM	95,394	-
Total U.S. Department of Homeland Security			95,394	-
U.S. Department of Transportation				
Passed through New Mexico Department of Transportation				
Operation Driving While Intoxicated (ODWI)	20.608	14-AL-64-039	10,400	6,351
Operation Driving While Intoxicated (ODWI)	20.608	15-AL-64-039	10,320	7,949
100 Days and Nights of Summer	20.600	14-PT-DS-039	2,175	571
100 Days and Nights of Summer	20.600	15-PT-DS-039	2,190	-
Federal Highway Administration	20.106	D14116	84,375	62,184
Total U.S. Department of Transportation			109,460	77,055
Total Federal Financial Assistance			1,094,435	834,799

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Grants under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF GRANTS
 FINANCIAL DATA SCHEDULE
 June 30, 2016

Line item #	Account	Project Total Low Rent & Capital Funds Program	Housing Choice Vouchers	Total
111	Cash - Unrestricted	72,050	20,810	92,860
113	Cash - Other Restricted	-	14,842	14,842
114	Cash - Tenant Security Deposits	4,500	-	4,500
100	Total Cash	76,550	35,652	112,202
121	Accounts Receivable - PHA Projects	-	-	-
122	Due from HUD - Other Projects	-	-	-
124	Accounts Receivable - Other Government	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-
126	Accounts Receivable - Tenants	7,858	-	7,858
126.1	Allowance for Doubtful Accts - Tenants	(4,349)	-	(4,349)
126.2	Allowance for Doubtful Accts - Other	-	-	-
120	Total Receivables, Net of Allowance for Doubtful	3,509	-	3,509
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	-	-	-
144	Inter Program Due From	12,626	-	12,626
150	Total Current Assets	92,685	35,652	128,337
161	Land	46,724	-	46,724
162	Buildings	1,516,926	-	1,516,926
163	Furniture, Equip & Machinery - Dwellings	29,992	-	29,992
164	Furniture, Equip & Machinery - Administration	39,663	9,011	48,674
165	Leasehold Improvements	-	-	-
166	Accumulated Depreciation	(1,101,797)	(8,886)	(1,110,683)
167	Construction in Progress	-	-	-
168	Infrastructure	-	-	-
160	Total Capital Assets, Net of Accumulated	531,508	125	531,633
180	Total Non-Current Assets	531,508	125	531,633
190	Total Assets	624,193	35,777	659,970
200	Deferred Outflows of Resources	6,429	-	6,429
290	Total Assets and Deferred Outflows of Resources	630,622	35,777	666,399
311	Bank Overdraft	-	-	-
312	Accounts Payable <= 90 Days	5,563	2,608	8,171
321	Accrued Wages/Payroll Taxes Payable	2,751	486	3,237
322	Accrued Compensated Absences - Current Portion	1,315	563	1,878
331	Accounts Payable - HUD PHA Programs	-	-	-
341	Tenant Security Deposits	4,500	-	4,500
342	Deferred Revenues	1,627	-	1,627
345	Other Current Liabilities	-	-	-
347	Inter Program - Due To	-	12,626	12,626
310	Total Current Liabilities	15,756	16,283	32,039
354	Accrued Compensated Absences - Non Current	1,969	844	2,813
357	Accrued Pension and OPEB Liabilities	50,551	-	50,551
350	Total Noncurrent Liabilities	52,520	844	53,364
300	Total Liabilities	68,276	17,127	85,403
400	Deferred Inflow of Resources	1,299	-	1,299
508	Total Contributed Capital	-	-	-
508.4	Invested in Capital Assets, Net of Related Debt	531,508	125	531,633
511.4	Restricted Net Position	-	14,842	14,842
512.4	Unrestricted Net Position	29,539	3,683	33,222
513	Total Equity - Net Assets / Position	561,047	18,650	579,697
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	630,622	35,777	666,399

HOUSING AUTHORITY OF THE CITY OF GRANTS
 FINANCIAL DATA SCHEDULE
 June 30, 2016

Line item #	Account	Low Rent Public Housing	Housing Choice Vouchers	Total
70300	Net Tenant Rental Revenue	38,577	-	38,577
70400	Tenant Revenue - Other	-	-	-
70500	Total Tenant Revenue	<u>38,577</u>	<u>-</u>	<u>38,577</u>
70600	HUD PHA Operating Grants	124,689	193,828	318,517
70610	Capital Grants	27,089	-	27,089
71100	Investment Income - Unrestricted	-	4	4
71300	Proceed from Disposition of Assets Held for Sale	-	-	-
71310	Cost of Sale of Assets	-	-	-
71400	Fraud Recovery	-	-	-
71500	Other Revenue	1,626	1	1,627
71800	Gain or Loss on Sale of Capital Assets	(123)	-	(123)
72000	Investment Income - Restricted	-	-	-
70000	Total Revenue	<u>191,858</u>	<u>193,833</u>	<u>385,691</u>
91100	Administrative Salaries	39,117	8,253	47,370
91200	Auditing Fees	-	-	-
91300	Management Fees	5,940	2,268	8,208
91310	Bookkeeping Fees	-	-	-
91400	Advertising and Marketing	-	-	-
91500	Employee Benefit Contributions - Administrative	37,256	3,130	40,386
91600	Office Expenses	11,300	3,111	14,411
91700	Legal Expenses	-	-	-
91800	Travel	1,321	249	1,570
91900	Other	2,402	7,603	10,005
91000	Total Operating - Administration	<u>97,336</u>	<u>24,614</u>	<u>121,950</u>
92400	Tenant Services - Other	-	-	-
92500	Total Tenant Services	<u>-</u>	<u>-</u>	<u>-</u>
93100	Water	1,247	-	1,247
93200	Electricity	2,407	-	2,407
93300	Gas	186	-	186
93800	Other Utilities Expense	-	-	-
93000	Total Utilities	<u>3,840</u>	<u>-</u>	<u>3,840</u>
94100	Ordinary Maint and Operations - Labor	-	-	-
94200	Ordinary Maint and Operations - Materials & Other	3,817	-	3,817
94300	Ordinary Maint and Operations - Contract Costs	12,204	-	12,204
94500	Employee Benefit Contributions - Ordinary	-	-	-
94000	Total Maintenance and Operations	<u>16,021</u>	<u>-</u>	<u>16,021</u>
96110	Property Insurance	-	-	-
98130	Workmen's Compensation	-	-	-
96140	All Other Insurance	8,430	348	8,778
96100	Total Insurance Premiums	<u>8,430</u>	<u>348</u>	<u>8,778</u>
96200	Other General Expenses	-	-	-
96210	Compensated Absences	(589)	(253)	(842)
96400	Bad debt - Tenants	1,923	-	1,923
96000	Total Other General Expenses	<u>1,334</u>	<u>(253)</u>	<u>1,081</u>
98900	Total Operating Expenses	<u>126,961</u>	<u>24,709</u>	<u>151,670</u>
96900	Excess Operating Revenue over Operating	<u>64,897</u>	<u>169,124</u>	<u>234,021</u>
97300	Housing Assistance Payments	-	167,037	167,037
97350	HAP Portability-In	-	-	-
97200	Casualty Losses - Non-Capitalized	-	-	-
97400	Depreciation Expense	55,626	39	55,665
90000	Total Expenses	<u>182,587</u>	<u>191,785</u>	<u>374,372</u>
10010	Operating Transfers In	-	-	-
10020	Operating Transfers Out	-	-	-
10093	Transfers between Project and Program - In	-	-	-
10094	Transfers between Project and Program - Out	-	-	-
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Rev Over (Under)	<u>9,271</u>	<u>2,048</u>	<u>11,319</u>
11030	Beginning Equity	551,776	16,602	568,378
11040	Prior Period Adj. Equity Transfers, Correction of	-	-	-
11170	Administrative Fee Equity	-	3,807	3,807
11180	Housing Assistance Payments Equity	-	14,843	14,843
11190	Unit Months Available	240	532	772
11210	Number of Unit Months Leased	233	489	722

OTHER INFORMATION

SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 20XX
 Prepared by Agency Staff Name: _____ Title: _____ Date: _____

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
6080	City of Grants	Municipalities	RFB #09302015	Competitive (RFP or RFB)	Century Club Construction	Winner	\$391,047.00		Albuquerque, NM	Yes	No	Radio Street Infrastructure Improvements	
6080	City of Grants	Municipalities		Competitive (RFP or RFB)	KBK Construction	Winner	\$158,000.00		Albuquerque, NM	No	No	Case Loader / Backhoe	
6080	City of Grants	Municipalities		Competitive (RFP or RFB)	Roadrunner Public Health, Inc.	Winner	\$62,595.00		Albuquerque, NM	No	No	Vector Control	
6080	City of Grants	Municipalities		Competitive (RFP or RFB)	WH Pacific	Winner	\$74,225.55		Albuquerque, NM	No	No	2nd Street Culvert Box (Bridge)	
6080	City of Grants	Municipalities		Competitive (RFP or RFB)	Spray Systems Environmental	Winner	\$138,619.38		Albuquerque, NM	No	No	Asbestos Removal	
6080	City of Grants	Municipalities	RFB #05132016	Competitive (RFP or RFB)	DFM Concrete, Inc.	Winner	\$150,000.00		Albuquerque, NM	No	No	Sidewalks, Burbs, Gutter	
6080	City of Grants	Municipalities	RFB #5132016	Competitive (RFP or RFB)	GM Emulsion LIC	Winner	\$206,949.02		Albuquerque, NM	No	No	Sakalares Blvd	
6080	City of Grants	Municipalities		Competitive (RFP or RFB)	Armstrong Consultants, Inc.	Winner	\$289,038.70		Albuquerque, NM	No	No	Design and reconstruct Airport Runway	
6080	City of Grants	Municipalities		Competitive (RFP or RFB)	Century Club Construction	Winner	\$767,284.67		Albuquerque, NM	No	No	2nd Street Culvert Box (Bridge)	

ADDITIONAL FEDERAL INFORMATION



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505.338.0800

**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. Timothy 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, 2016, 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 December 15, 2016.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2015-004.

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 2013-004, 2015-003 and 2016-001.

The City's Responses to Findings

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

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
December 15, 2016



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505.338.0800

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Mr. Timothy 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' (The City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on City of Grants' compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-004, 2015-006. Our opinion on each major federal program is not modified with respect to these matters

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control over Compliance

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

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

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

schedule of findings and questioned costs as items 2015-004 and 2015-006 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
December 15, 2016

**CITY OF GRANTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? Yes

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

**CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-004 LEGAL COMPLIANCE WITH BUDGET (OTHER NONCOMPLIANCE)

CONDITION

The City's authorized budget was exceeded by actual expenditures in the State and Local Narcotics Assistance fund by \$494. Per management the lack of progress towards implementing the prior year corrective action plan was an oversight due to a lack of monitoring.

CRITERIA

State Statute 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority, stating "When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof..." Further, NMAC 2.2.2.10 O(1)(a) states "If actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact must be reported in a finding and disclosed..." The legal level of budgetary control for local governments is at the fund level.

EFFECT

The City is in violation of regulation and policies established by the State of New Mexico and Department of Finance and Administration (DFA). Violating budget constraints may impact the availability of funds for operations in future years. In addition, expenditures in excess of budget may indicate a potential lack of controls in the purchasing process which could result in unauthorized purchases being initiated.

CAUSE

The City did not submit budget adjustment requests to DFA when it was determined that expenditures in excess of budget were necessary.

RECOMMENDATION

The City should monitor budgeted costs and, when it is anticipated that costs will exceed budgeted amounts, budget adjustment requests should be submitted for approval to DFA.

MANAGEMENT RESPONSE

New and existing staff will continue to be trained and gain knowledge related to state budget requirement and submit Budget adjustments as needed. The City Manager and Finance Director will monitor expenditures and budget limitations to ensure compliance. Effective December 2015, the Finance Director began processing adjustments on a quarterly basis and will present quarterly reports to Council.

**CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2015-003 SEGMENT INFORMATION (OTHER NONCOMPLIANCE)

CONDITION

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. The City was unable to separately account for financial information of the business-type segments included in the utility fund, and thus could not provide condensed financial information for note disclosure. This finding was repeated in current year because the City was unable to devote time to this activity due to workload. The City has hired a Treasurer in fiscal year 2017.

CRITERIA

GASBS No. 34, paragraph 122 states that governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements.

Per GASBS No. 37, paragraph 17 for purposes of this disclosure, a segment is an *identifiable activity* (or grouping of activities), reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments (such as certificates of participation) outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial information in the notes.

EFFECT

The City does not have specific operating information for each identifiable activity accounted for in the utility fund. The City cannot determine the extent of the net increase or decrease in net position from each activity which means the City cannot make fully informed management decisions.

CAUSE

The City does not utilize an accounting structure within the utility fund which allows for easy separation of identifiable activities.

RECOMMENDATION

The City should implement an account or fund structure by which identifiable activities can be separated for individual disclosure as required by GASBS 37.

MANAGEMENT RESPONSE

The City will implement a fund structure in order to identify activities within the utility fund. The Treasurer will be responsible to implement this structure by June 30, 2017.

**CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2016-001 CHIEF PROCUREMENT OFFICER REPORTING AND CERTIFICATION (OTHER NONCOMPLIANCE)

CONDITION

The City has designated a chief procurement officer and this officer has received training. However, the City did not have a chief procurement officer that completed the required certification process at June 30, 2016.

CRITERIA

In accordance with Section 13-1-95.2(A) NMSA 1978, local public bodies are required to designate and report the name of their chief procurement officer. In accordance with Section 13-1-95.2(E) NMSA 1978, only chief procurement officers certified by the New Mexico State General Services Department Purchasing Division may approve procurements and issue purchase orders.

EFFECT

Due to the lack of certification and registration there is an increased potential for disputes with those bidding on contracts.

CAUSE

The City designated a new chief procurement officer during the current fiscal year and, but due to employee turnover, there was no a chief procurement officer who completed the certification process at June 30, 2016

RECOMMENDATION

We recommend that the City ensure the new chief procurement officer obtains the required certification and registers with the New Mexico State General Services Department Purchasing Division.

MANAGEMENT RESPONSE

The chief procurement officer is completed the certification course and test during November 2016. The certification is completed, the chief procurement officer is now registered with the New Mexico State General Services Department Purchasing Division.

**CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTION COSTS

2015-004 LACK OF SEGREGATION OF DUTIES AT HOUSING AUTHORITY (SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL)

Federal agency: U.S Department of Housing and Urban Development
Program: Section 8 Housing Choice Vouchers
CFDA number: 14.871
Award number: N/A
Award years: 2015
Type of Finding: Significant Deficiency in Internal Control
Compliance Requirement: Allowable Costs / Activities

CONDITION

During our documentation and testwork of internal controls over allowable costs / activities of the section 8 housing voucher program, it was noted that a single individual has access to blank check stock and single check signing authority. Although the Housing Authority makes every attempt to obtain two authorized signatures on all check disbursements, it is not a mandatory control, nor will the bank enforce this policy. This finding was repeated from prior year as a result of a delay in the transfer of the Grants housing authority to the Northern Regional Housing Authority. The transfer took place in fiscal year 2017.

CRITERIA

Internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept in an adequate system of internal control is the segregation of duties.

QUESTIONED COSTS

None

EFFECT

There is a heightened risk that assets are not properly safeguarded and adequate controls are not in place to prevent or detect misstatements of accounting information due to errors or fraud.

CAUSE

The Housing Authority employs only one individual for daily operations. Although a 3rd party accountant who specializes in housing authority accounting is utilized for bank reconciliations, HUD reporting and other housing authority functions, this 3rd party cannot serve in the capacity to mitigate the segregation of duties threat because a 3rd party does not have intimate knowledge of routine and allowable costs nor do they have the authority to approve disbursements.

RECOMMENDATION

We recommend that the Housing Authority implement a policy in which only individuals without access to blank check stock can serve as an authorized check signer. The Housing Authority should also implement controls in the cash disbursement cycle to ensure that reviews performed during the cycle are documented with a signoff.

MANAGEMENT RESPONSE

The Grants Housing Authority (GHA) has only one employee, but in in the process of transferring the GHA to the Northern Regional Housing Authority (NRHA). This way the GHA will be able to staff the office the way it should be and have more than one employee. The Housing Authority Executive Director is responsible to ensure that segregations of duties at the Housing Authority are improved by January 2017, subsequent to a management agreement with NRHA.

**CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTION COSTS (CONTINUED)

2015-006 LACK OF PROPER DOCUMENTATION IN TENANT FILES (SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER MAJOR PROGRAMS / OTHER NONCOMPLIANCE)

Federal agency: U.S Department of Housing and Urban Development
Program: Section 8 Housing Choice Vouchers
CFDA number: 14.871
Award number: N/A
Award years: 2015
Compliance Requirement: Eligibility / Special Tests and Provisions

CONDITION

During testwork over eligibility and special tests and provisions, we noted for one of four participants tested, there was not an available copy of the tenants social security number. This finding was repeated from prior year as a result of a delay in the transfer of the Grants housing authority to the Northern Regional Housing Authority. The transfer took place in fiscal year 2017.

CRITERIA

Per Chapter 8.7 of the HUD Housing Choice Voucher Program Guidebook, once a family finds a suitable unit and the owner is willing to lease the unit under the program, the family must request tenancy approval from the PHA. The family must submit two documents to the PHA: a request for tenancy approval and an unexecuted copy of the lease, including the HUD-prescribed tenancy addendum.

Chapter 11.11 states, during the term of the assisted tenancy and for at least three years thereafter, the PHA must keep on file a copy of the HAP contract, including the tenancy addendum, and the lease.

Chapter 5.1 states that eviction for drug-related criminal activities is one of the four factors which affect eligibility. Furthermore, the Grants Housing Authority (GHA) Section 8 Choice Voucher Program Administrative plan states that GHA will perform criminal background checks for all applicants and their household members (18 years or older) to determine whether any member of the family has engaged in any drug-related and /or violent criminal activity in the last three years.

Chapter 18.2 states that a PHA is required to maintain a utility allowance schedule for tenant-paid utilities.

Chapter 10.2 states that at least annually, it is the responsibility of the PHA to conduct inspections of units to determine compliance with HQS prior to the execution of the entire term of the assisted lease.

QUESTIONED COSTS

\$7,031 in assistance payments made on behalf of tenants without required documents which demonstrate evidence of eligibility.

EFFECT

The Housing Authority could be providing services to tenants who are not eligible for the program. This could affect funding for the program.

**CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTION COSTS (CONTINUED)

**2015-006 LACK OF PROPER DOCUMENTATION IN TENANT FILES (SIGNIFICANT
DEFICIENCY IN INTERNAL CONTROL OVER MAJOR PROGRAMS / OTHER
NONCOMPLIANCE) (CONTINUED)**

CAUSE

A File from the Grants Housing Authority lacked proper documentation and the file was not periodically reviewed to ensure that all necessary documentation was on file.

RECOMMENDATION

Management should implement an internal control structure to ensure that all files have the necessary supporting documentation to comply with eligibility and special reporting requirements as identified by the Department of Housing and Urban Development. Management undergo a process of tenant file reviews to ensure that all tenant files have all required information.

MANAGEMENT RESPONSE

The documentation has not been filed due to only one employee and heavy work load. The Housing Authority Executive Director is responsible to ensure that proper maintenance of tenant files at the Housing Authority is improved by January 2017, subsequent to a management agreement with NRHA.

**CITY OF GRANTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Condition: The City's authorized budget was exceeded by actual expenditures or actual transfers.

Current Status: Modified and repeated.

FS 2015-001 – Capital Asset Inventory (Other Noncompliance)

Condition: The City did not conduct an inventory until months after year-end.

Current Status: Resolved.

FS 2015-002 – Unable to Verify Authorization for Utility Tax Rate (Other Noncompliance)

Condition: The City could not provide support for tax rate charged to utility customers

Current Status: Resolved.

FS 2015-003 – Segment Information (Other Noncompliance)

Condition: The City was unable to separately account for financial information of the business-type segments included in the utility fund, and thus could not provide condensed financial information for note disclosure.

Current Status: Repeated.

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

Condition: A single individual has access to the blank check stock and single check signing authority.

Current Status: Modified and repeated.

FA 2015-005 – Lack of Proper Documentation to Support Disbursements (Significant Deficiency in Internal Control Over Major Programs)

Condition: A single individual has access to the blank check stock and single check signing authority.

Current Status: Resolved.

**CITY OF GRANTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

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

Condition: A tenant file was missing a copy of a tenant's social security card.

Current Status: Modified and repeated.

**CITY OF GRANTS
SINGLE AUDIT CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016**

SINGLE AUDIT CORRECTIVE ACTION PLAN

**2015-004 – LACK OF SEGREGATION OF DUTIES AT HOUSING AUTHORITY
(SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL)**

Corrective Action: The GHA is in the process of transferring operations to the Northern Regional Housing Authority, which will alleviate much of the work load and add staffing.

Person Responsible: JoAnn Candelaria

Completion Date: January 1, 2017

**2015-006 – LACK OF PROPER DOCUMENTATION IN TENANT FILES (SIGNIFICANT
DEFICIENCY IN INTERNAL CONTROL OVER MAJOR PROGRAMS / OTHER
NONCOMPLIANCE)**

Corrective Action: The GHA is in the process of transferring operations to the Northern Regional Housing Authority, which will alleviate much of the work load and add staffing.

Person Responsible: JoAnn Candelaria

Completion Date: January 1, 2017

**CITY OF GRANTS
EXIT CONFERENCE
For the Year Ended June 30, 2016**

EXIT CONFERENCE

An exit conference was held on December 15, 2016, to discuss the annual financial report. Attending were the following:

Representing the City of Grants, New Mexico:

Martin Hicks, Mayor
Laura Jaramillo, City Manager
John Paul Molerés, Director of Finance

Representing the Independent Auditor:

Wayne Brown, CPA
Lee Baldwin, CPA

A. AUDITOR PREPARED FINANCIAL STATEMENTS

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