

**STATE OF NEW MEXICO  
CITY OF GRANTS**

**Annual Financial Report  
June 30, 2018**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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## **INTRODUCTORY SECTION**

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CITY OF GRANTS  
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**STATE OF NEW MEXICO  
CITY OF GRANTS  
OFFICIAL ROSTER  
JUNE 30, 2018**

**City Council**

| <b><u>Name</u></b> |  | <b><u>Title</u></b> |
|--------------------|--|---------------------|
| Martin Hicks       |  | Mayor               |
| Manuel Vasquez     |  | Mayor Pro-Tem       |
| Rick Lucero        |  | Councilor           |
| Cydni Reynolds     |  | Councilor           |
| Fred Padilla       |  | Councilor           |

**Administration**

|                  |  |                |
|------------------|--|----------------|
| Laura Jaramillo  |  | City Manager   |
| Kimberly Simpson |  | City Treasurer |

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To Brian S. Colon,  
New Mexico State Auditor  
and  
The Mayor and City Council Members  
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 comparison for the general fund of the City of Grants (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements 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 responsibility also 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.

### Auditors' 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.

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#### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



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

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

### **Basis for Qualified Opinion**

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

### **Qualified Opinion**

In our opinion, except for the effects of the capital assets ending balances, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contribution 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the other schedules required by 2.2.2 NMAC as noted in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC as noted in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the other schedules required by 2.2.2 NMAC as noted in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019 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.



Pattillo, Brown & Hill, L.L.P  
Albuquerque, New Mexico  
April 30, 2019

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## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
June 30, 2018**

|  | Primary Government  |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | Governmental        | Business-Type       | Total               |
|  | Activities          | Activities          |                     |
| <b>Assets</b>                          |                     |                     |                     |
| Current assets                         |                     |                     |                     |
| Cash, cash equivalents and investments | \$ 17,305,607       | 30,939              | 17,336,546          |
| Cash, restricted                       | 199,350             | -                   | 199,350             |
| Receivables:                           |                     |                     |                     |
| Property taxes receivable              | 282,403             | -                   | 282,403             |
| Other taxes receivable                 | 1,259,654           | -                   | 1,259,654           |
| Grants Receivable                      | 535,872             | -                   | 535,872             |
| Accounts receivable                    | -                   | 322,963             | 322,963             |
| Due from other funds                   | (2,463,764)         | 2,463,764           | -                   |
| Prepays                                |                     | 100                 | 100                 |
| Inventory                              | -                   | 72,446              | 72,446              |
| Total current assets                   | <u>17,119,122</u>   | <u>2,890,212</u>    | <u>20,009,334</u>   |
| Noncurrent assets                      |                     |                     |                     |
| Capital assets                         | 76,826,132          | 56,701,316          | 133,527,448         |
| Less: accumulated depreciation         | <u>(23,200,269)</u> | <u>(24,253,852)</u> | <u>(47,454,121)</u> |
| Total noncurrent assets                | <u>53,625,863</u>   | <u>32,447,464</u>   | <u>86,073,327</u>   |
| Total Assets                           | <u>70,744,985</u>   | <u>35,337,676</u>   | <u>106,082,661</u>  |
| <b>Deferred Outflows</b>               |                     |                     |                     |
| Pension Related                        | <u>1,963,870</u>    | <u>276,023</u>      | <u>2,239,893</u>    |

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
June 30, 2018**

|  | Primary Government   |                   |                   |
|--|----------------------|-------------------|-------------------|
|  | Governmental         | Business-Type     | Total             |
|  | Activities           | Activities        |                   |
| <b>Liabilities</b>                         |                      |                   |                   |
| Current liabilities                        |                      |                   |                   |
| Accounts payable                           | 1,468,056            | 485,407           | 1,953,463         |
| Bank overdraft                             | 2,503,520            | 2,953,448         | 5,456,968         |
| Accrued payroll expenses                   | 192,425              | 26,088            | 218,513           |
| Accrued compensated absences               | 262,416              | 59,678            | 322,094           |
| Meter and other deposits                   | -                    | 268,932           | 268,932           |
| Current portion of bonds and notes payable | 119,502              | 24,337            | 143,839           |
| Total current liabilities                  | <u>4,545,919</u>     | <u>3,817,890</u>  | <u>8,363,809</u>  |
| Noncurrent liabilities                     |                      |                   |                   |
| Accrued compensated absences               | 65,604               | -                 | 65,604            |
| Bonds and notes payable                    | -                    | 11,584,730        | 11,584,730        |
| Net pension liability                      | 6,742,975            | 927,609           | 7,670,584         |
| Net OPEB Liability                         | 200,034              | -                 | 200,034           |
| Total noncurrent liabilities               | <u>7,008,613</u>     | <u>12,512,339</u> | <u>19,520,952</u> |
| Total liabilities                          | <u>11,554,532</u>    | <u>16,330,229</u> | <u>27,884,761</u> |
| <b>Deferred Inflows</b>                    |                      |                   |                   |
| Pension Related                            | 1,049,055            | 57,095            | 1,106,150         |
| Total Deferred Inflows                     | <u>1,049,055</u>     | <u>57,095</u>     | <u>1,106,150</u>  |
| <b>Net Position</b>                        |                      |                   |                   |
| Net investment in capital assets           | 53,506,361           | 32,447,464        | 85,953,825        |
| Restricted for                             |                      |                   |                   |
| Debt service                               | 199,350              | -                 | 199,350           |
| Capital projects                           | -                    | -                 | -                 |
| Other purposes - special revenue           | 2,156,039            | -                 | 2,156,039         |
| Subsequent years expenditures              | 862,515              | -                 | 862,515           |
| Unrestricted                               | 3,381,003            | (13,221,089)      | (9,840,086)       |
| Total Net Position                         | <u>\$ 60,105,268</u> | <u>19,226,375</u> | <u>79,331,643</u> |

STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

| Functions/Programs                           | Program Revenues     |                      |                                    |                                  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
|  | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>                    |                      |                      |                                    |                                  |
| <b>Governmental Activities</b>               |                      |                      |                                    |                                  |
| General government                           | \$ 3,559,835         | 1,386,764            | 840,010                            | -                                |
| Public safety                                | 3,709,151            |                      |                                    | -                                |
| Public works                                 | 2,272,965            |                      | 3,933,540                          | 1,068,117                        |
| Culture and recreation                       | 1,208,817            |                      |                                    | -                                |
| Health and welfare                           | 764,398              | -                    |                                    | -                                |
| Capital outlay                               | 186,660              |                      |                                    | -                                |
| Interest on long-term debt                   | 7,816                | -                    | -                                  | -                                |
| <i>Total governmental Activities</i>         | <u>11,709,642</u>    | <u>1,386,764</u>     | <u>4,773,550</u>                   | <u>1,068,117</u>                 |
| <b>Business-type Activities</b>              |                      |                      |                                    |                                  |
| Golf Course                                  | 849,146              | 414,433              | -                                  | -                                |
| Utilities                                    | 5,048,320            | 5,888,794            | -                                  | -                                |
| Airport                                      | 245,021              | -                    | -                                  | -                                |
| <i>Total business-type activities</i>        | <u>6,142,487</u>     | <u>6,303,227</u>     | <u>-</u>                           | <u>-</u>                         |
| <i>Total primary government</i>              | <u>\$ 17,852,129</u> | <u>7,689,991</u>     | <u>4,773,550</u>                   | <u>1,068,117</u>                 |
| <b>General Revenues</b>                      |                      |                      |                                    |                                  |
| Taxes:                                       |                      |                      |                                    |                                  |
| Property taxes, levied                       |                      |                      |                                    |                                  |
| Gross receipts taxes                         |                      |                      |                                    |                                  |
| Other taxes                                  |                      |                      |                                    |                                  |
| Investment Income                            |                      |                      |                                    |                                  |
| Fines, forfeitures, and penalties            |                      |                      |                                    |                                  |
| Miscellaneous income                         |                      |                      |                                    |                                  |
| Transfers in (out)                           |                      |                      |                                    |                                  |
| Total general revenues and transfers         |                      |                      |                                    |                                  |
| Change in net position                       |                      |                      |                                    |                                  |
| Net position, beginning as previously stated |                      |                      |                                    |                                  |
| Restatement (Note 21)                        |                      |                      |                                    |                                  |
| Net position, beginning as restated          |                      |                      |                                    |                                  |
| Net position, ending                         |                      |                      |                                    |                                  |

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government

| Governmental<br>Activities | Business-Type<br>Activities | Total              |
|----------------------------|-----------------------------|--------------------|
| (1,333,061)                | -                           | (1,333,061)        |
| (3,709,151)                | -                           | (3,709,151)        |
| 2,728,692                  | -                           | 2,728,692          |
| (1,208,817)                | -                           | (1,208,817)        |
| (764,398)                  | -                           | (764,398)          |
| (186,660)                  | -                           | (186,660)          |
| <u>(7,816)</u>             | <u>(9,017)</u>              | <u>(16,833)</u>    |
| <u>(4,481,211)</u>         | <u>(9,017)</u>              | <u>(4,490,228)</u> |
| -                          | (434,713)                   | (434,713)          |
| -                          | 840,474                     | 840,474            |
| -                          | <u>(245,021)</u>            | <u>(245,021)</u>   |
| -                          | <u>160,740</u>              | <u>160,740</u>     |
| <u>(4,481,211)</u>         | <u>151,723</u>              | <u>(4,329,488)</u> |
| 796,479                    | -                           | 796,479            |
| 7,861,292                  | -                           | 7,861,292          |
| 923,363                    | -                           | 923,363            |
| 76,183                     | -                           | 76,183             |
| 2,915                      | -                           | 2,915              |
| 228,373                    | 221,426                     | 449,799            |
| <u>2,648,225</u>           | <u>(2,648,225)</u>          | <u>-</u>           |
| <u>12,536,830</u>          | <u>(2,426,799)</u>          | <u>10,110,031</u>  |
| <u>8,055,619</u>           | <u>(2,275,076)</u>          | <u>5,780,543</u>   |
| 50,766,992                 | 21,475,748                  | 72,242,740         |
| 1,282,657                  | 25,703                      | 1,308,360          |
| <u>52,049,649</u>          | <u>21,501,451</u>           | <u>73,551,100</u>  |
| \$ <u>60,105,268</u>       | <u>19,226,375</u>           | <u>79,331,643</u>  |

**STATE OF NEW MEXICO  
CITY OF GRANTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018**

|   | General<br>Fund<br>002 | General<br>Government<br>Improvements<br>030 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------------|--|--------------------------------|--------------------------------|
| <i>Assets</i>                                 |                        |  |                                |                                |
| Cash, cash equivalents and investments        | \$ 15,274,982          | -  | 2,030,625                      | 17,305,607                     |
| Cash, restricted                              | -                      | -  | 199,350                        | 199,350                        |
| Receivables:                                  |                        |  |                                |                                |
| Property taxes                                | 259,521                | -  | 22,882                         | 282,403                        |
| Other taxes receivable                        | 1,259,654              | -  | -                              | 1,259,654                      |
| Grants Receivable- State                      | 19,837                 | 431,095                                      | 84,940                         | 535,872                        |
| Due from other funds                          | -                      | -  | 216,152                        | 216,152                        |
| <i>Total assets</i>                           | <u>\$ 16,813,994</u>   | <u>431,095</u>                               | <u>2,553,949</u>               | <u>19,799,038</u>              |
| <i>Liabilities and Fund Balances</i>          |                        |  |                                |                                |
| <i>Liabilities</i>                            |                        |  |                                |                                |
| Accounts payable                              | \$ 85,818              | 1,327,026                                    | 55,210                         | 1,468,054                      |
| Bank overdraft                                | -                      | 1,868,936                                    | 634,587                        | 2,503,523                      |
| Accrued payroll expenses                      | 181,131                | -  | 11,294                         | 192,425                        |
| Due to other funds                            | 193,726                | 2,474,589                                    | 11,600                         | 2,679,915                      |
| <i>Total liabilities</i>                      | <u>460,675</u>         | <u>5,670,551</u>                             | <u>712,691</u>                 | <u>6,843,917</u>               |
| <i>Deferred Inflows</i>                       |                        |  |                                |                                |
| Unearned revenue - property taxes             | 244,705                | -  | -                              | 244,705                        |
| <i>Total Deferred Inflows</i>                 | <u>244,705</u>         | <u>-</u>                                     | <u>-</u>                       | <u>244,705</u>                 |
| <i>Total Liabilities and Deferred Inflows</i> | <u>705,380</u>         | <u>5,670,551</u>                             | <u>712,691</u>                 | <u>7,088,622</u>               |
| <i>Fund balances</i>                          |                        |  |                                |                                |
| Nonspendable                                  | -                      | -  | -                              | -                              |
| Spendable                                     |                        |  |                                |                                |
| Restricted                                    | 862,515                | -  | 2,355,389                      | 3,217,904                      |
| Committed                                     | -                      | -  | -                              | -                              |
| Assigned                                      | -                      | -  | -                              | -                              |
| Unassigned                                    | 15,246,099             | (5,239,456)                                  | (514,131)                      | 9,492,512                      |
| <i>Total fund balances</i>                    | <u>16,108,614</u>      | <u>(5,239,456)</u>                           | <u>1,841,258</u>               | <u>12,710,416</u>              |
| <i>Total liabilities and fund balances</i>    | <u>\$ 16,813,994</u>   | <u>431,095</u>                               | <u>2,553,949</u>               | <u>19,799,038</u>              |

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

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

|  |    |                   |
|--|----|-------------------|
| Fund balances - total governmental funds   | \$ | 12,710,416        |
| Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds   |    | 1,963,870         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds   |    | 53,625,863        |
| Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered unearned revenue in the fund financial statements, but are considered revenue in the Statement of Activities |    | 244,705           |
| Defined benefit pension plan deferred inflows are not payable in the current period and, therefore, not reported in the funds.   |    | (1,049,055)       |
| Certain liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds  |    |                   |
| Net pension liability  |    | (6,742,975)       |
| Net OPEB Liability   |    | (200,034)         |
| Accrued compensated absences   |    | (328,020)         |
| Bonds and notes payable  |    | (119,502)         |
| Net position of governmental activities  | \$ | <u>60,105,268</u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

|  | General<br>Fund<br>002 | General<br>Government<br>Improvements<br>030 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------------|--|--------------------------------|--------------------------------|
| <i>Revenues</i>  |                        |  |                                |                                |
| <i>Taxes:</i>  |                        |  |                                |                                |
| Property   | \$ 551,774             | -  | -                              | 551,774                        |
| Gross receipts   | 7,861,292              | -  | -                              | 7,861,292                      |
| Other taxes  | 391,800                | -  | 531,563                        | 923,363                        |
| <i>Intergovernmental</i>   |                        |  |                                |                                |
| Federal operating grants   | 2,172                  | 3,788,853                                    | 144,687                        | 3,935,712                      |
| State operating grants   | 171,266                | -  | 666,572                        | 837,838                        |
| State capital grants   | -                      | 1,068,117                                    | -                              | 1,068,117                      |
| Charges for services   | 1,150,274              | -  | 56,186                         | 1,206,460                      |
| Licenses and fees  | 180,304                | -  | -                              | 180,304                        |
| Fines, forfeitures, and penalties                                    | -                      | -  | 2,915                          | 2,915                          |
| Investment income  | 76,183                 | -  | -                              | 76,183                         |
| Miscellaneous  | 180,939                | -  | 47,432                         | 228,371                        |
| <i>Total revenues</i>  | <u>10,566,004</u>      | <u>4,856,970</u>                             | <u>1,449,355</u>               | <u>16,872,329</u>              |
| <i>Expenditures:</i>   |                        |  |                                |                                |
| <i>Current:</i>  |                        |  |                                |                                |
| General government   | 2,617,884              | -  | 79,252                         | 2,697,136                      |
| Public safety  | 2,637,105              | -  | 522,309                        | 3,159,414                      |
| Public works   | 1,486,143              | -  | -                              | 1,486,143                      |
| Culture and recreation   | 837,799                | -  | 327,508                        | 1,165,307                      |
| Health and welfare   | -                      | -  | 653,866                        | 653,866                        |
| Capital outlay   | 6,131                  | 5,040,681                                    | 136,809                        | 5,183,621                      |
| Debt service   |                        |  |                                |                                |
| Principal  | -                      | -  | 113,802                        | 113,802                        |
| Interest and other charges   | -                      | -  | 7,816                          | 7,816                          |
| <i>Total expenditures</i>  | <u>7,585,062</u>       | <u>5,040,681</u>                             | <u>1,841,362</u>               | <u>14,467,105</u>              |
| <i>Excess (deficiency) of revenues<br/>over (under) expenditures</i> | <u>2,980,942</u>       | <u>(183,711)</u>                             | <u>(392,007)</u>               | <u>2,405,224</u>               |
| <i>Other Financing Sources (Uses)</i>                                |                        |  |                                |                                |
| Transfers, in  | 5,327,301              | 3,117,620                                    | 736,703                        | 9,181,624                      |
| Transfers, out   | (1,399,535)            | (3,735,752)                                  | (1,398,112)                    | (6,533,399)                    |
| <i>Total other financing sources (uses)</i>                          | <u>3,927,766</u>       | <u>(618,132)</u>                             | <u>(661,409)</u>               | <u>2,648,225</u>               |
| <i>Net change in fund balances</i>                                   | 6,908,708              | (801,843)                                    | (1,053,416)                    | 5,053,449                      |
| <i>Fund balances - beginning, as previously stated</i>               | 8,651,843              | (4,437,613)                                  | 2,888,701                      | 7,102,931                      |
| <i>Restatement (Note 21)</i>   | 548,063                | -  | 5,973                          | 554,036                        |
| <i>Fund balances - beginning of year, as restated</i>                | <u>9,199,906</u>       | <u>(4,437,613)</u>                           | <u>2,894,674</u>               | <u>7,656,967</u>               |
| <i>Fund balances, end of year</i>                                    | <u>\$ 16,108,614</u>   | <u>(5,239,456)</u>                           | <u>1,841,258</u>               | <u>12,710,416</u>              |

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

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

|  |                     |
|--|---------------------|
| Net change in fund balances - total governmental funds   | \$ 5,053,449        |
| Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds   |                     |
| Change in Pension expense  | (621,510)           |
| Change in OPEB expense   | 34,573              |
| Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:  |                     |
| Capital expenditures recorded in capital outlay  | 4,996,961           |
| Depreciation expense   | (1,779,827)         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds:   |                     |
| Change in deferred revenue   | 244,705             |
| Expenses reported in the statement of activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:  |                     |
| Change in accrued compensated absences   | 13,466              |
| The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities: |                     |
| Principal payments on bonds and notes payable  | <u>113,802</u>      |
| Change in net position of governmental activities  | <u>\$ 8,055,619</u> |

See Notes to Financial Statements.

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STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
General Fund-101  
For the Year Ended June 30, 2018

|  | <u>Budgeted Amounts</u> |                     |                      | Variance Positive<br>(Negative) |
|--|-------------------------|---------------------|----------------------|---------------------------------|
|  | <u>Original Budget</u>  | <u>Final Budget</u> | <u>Actual Amount</u> |                                 |
| <b>Revenues:</b>                             |                         |                     |                      |                                 |
| Taxes:                                       |                         |                     |                      |                                 |
| Property                                     | \$ 546,077              | 546,077             | 551,774              | 5,697                           |
| Gross Receipts                               | 6,881,250               | 6,881,250           | 7,861,292            | 980,042                         |
| Other Taxes                                  | 378,000                 | 378,000             | 391,800              | 13,800                          |
| Intergovernmental                            |                         |                     |                      |                                 |
| Federal Operating Grants                     | -                       | -                   | 2,172                | 2,172                           |
| State Operating Grants                       | 120,334                 | 120,334             | 171,266              | 50,932                          |
| Charges for Services                         | 117,000                 | 117,000             | 1,150,274            | 1,033,274                       |
| Licenses and Fees                            | 25,000                  | 25,000              | 180,304              | 155,304                         |
| Fines, Forfeitures, and Penalties            | 105,000                 | 105,000             | -                    | (105,000)                       |
| Investment Income                            | 12,000                  | 12,000              | 76,183               | 64,183                          |
| Miscellaneous                                | 1,111,166               | 1,111,166           | 180,939              | (930,227)                       |
| <b>Total Revenues</b>                        | <u>9,295,827</u>        | <u>9,295,827</u>    | <u>10,566,004</u>    | <u>1,270,177</u>                |
| <b>Expenditures:</b>                         |                         |                     |                      |                                 |
| Current:                                     |                         |                     |                      |                                 |
| General Government                           | 4,426,707               | 4,426,707           | 2,617,886            | 1,808,821                       |
| Public Safety                                | 2,817,469               | 2,817,469           | 2,635,887            | 181,582                         |
| Public Works                                 | 1,504,118               | 1,504,118           | 1,486,143            | 17,975                          |
| Culture and Recreation                       | 653,961                 | 653,961             | 644,514              | 9,447                           |
| Capital Outlay                               | 7,000                   | 7,000               | 6,131                | 869                             |
| Debt Service                                 |                         |                     |                      |                                 |
| Principal                                    | -                       | -                   | -                    | -                               |
| Interest                                     | -                       | -                   | -                    | -                               |
| <b>Total Expenditures</b>                    | <u>9,409,255</u>        | <u>9,409,255</u>    | <u>7,390,561</u>     | <u>2,018,694</u>                |
| <i>Excess (Deficiency) of Revenues</i>       |                         |                     |                      |                                 |
| <i>Over (Under) Expenditures</i>             | <u>(113,428)</u>        | <u>(113,428)</u>    | <u>3,175,443</u>     | <u>3,288,871</u>                |
| <b>Other Financing Sources (Uses):</b>       |                         |                     |                      |                                 |
| Transfers, In                                | -                       | -                   | 5,327,301            | 5,327,301                       |
| Transfers, Out                               | 2,373,557               | 2,373,557           | (1,399,535)          | (3,773,092)                     |
| Proceeds from sale of Capital Assets         |                         |                     | -                    | -                               |
| <b>Total Other Financing sources (Uses):</b> | <u>2,373,557</u>        | <u>2,373,557</u>    | <u>3,927,766</u>     | <u>1,554,209</u>                |
| <b>Net Change in Fund Balances</b>           | <u>\$ 2,260,129</u>     | <u>2,260,129</u>    | <u>7,103,209</u>     | <u>4,843,080</u>                |
| <b>Reconciliation to GAAP Basis:</b>         |                         |                     |                      |                                 |
| Adjustments to Revenues                      |                         |                     | -                    |                                 |
| Adjustments to Expenditures                  |                         |                     | (194,501)            |                                 |
| <b>NET CHANGE IN FUND BALANCE</b>            |                         |                     | <u>\$ 6,908,708</u>  |                                 |

See Notes to Financial Statements.

STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2018

|  | Golf Course<br>010 | Utilities<br>003 | Nonmajor<br>Proprietary Funds | Total        |
|--|--------------------|------------------|-------------------------------|--------------|
| <b>Assets</b>                              |                    |                  |                               |              |
| Current Assets                             |                    |                  |                               |              |
| Cash, cash equivalents and investments     | \$ -               | -                | 30,939                        | 30,939       |
| Other receivables                          | -                  | 306,427          | 16,536                        | 322,963      |
| Prepays                                    | -                  | 100              | -                             | 100          |
| Inventory                                  | -                  | 72,446           | -                             | 72,446       |
| Due from other funds                       | -                  | 2,463,764        | -                             | 2,463,764    |
| Total current assets                       | -                  | 2,842,737        | 47,475                        | 2,890,212    |
| Noncurrent assets                          |                    |                  |                               |              |
| Capital assets                             | 2,173,564          | 50,192,000       | 4,335,752                     | 56,701,316   |
| Less: accumulated depreciation             | (1,497,684)        | (22,744,124)     | (12,044)                      | (24,253,852) |
| Total noncurrent assets                    | 675,880            | 27,447,876       | 4,323,708                     | 32,447,464   |
| Total assets                               | 675,880            | 30,290,613       | 4,371,183                     | 35,337,676   |
| <b>Deferred Outflows</b>                   |                    |                  |                               |              |
| Pension Related                            | 132,553            | 120,673          | 22,797                        | 276,023      |
| Total Deferred Outflows                    | 132,553            | 120,673          | 22,797                        | 276,023      |
| <b>Liabilities</b>                         |                    |                  |                               |              |
| Current Liabilities                        |                    |                  |                               |              |
| Accounts payable                           | 21,628             | 463,779          | -                             | 485,407      |
| Bank overdraft                             | 91,151             | 2,862,297        | -                             | 2,953,448    |
| Accrued payroll expenses                   | 14,896             | 9,097            | 2,095                         | 26,088       |
| Accrued compensated absences               | 36,523             | 23,155           | -                             | 59,678       |
| Meter and other deposits                   | -                  | 268,932          | -                             | 268,932      |
| Current portion of bonds and notes payable | -                  | 24,337           | -                             | 24,337       |
| Total current liabilities                  | 164,198            | 3,651,597        | 2,095                         | 3,817,890    |
| Noncurrent Liabilities                     |                    |                  |                               |              |
| Landfill closure                           | -                  | -                | -                             | -            |
| Bonds and notes payable                    | -                  | 11,584,730       | -                             | 11,584,730   |
| Net Pension Liability                      | 459,624            | 388,361          | 79,624                        | 927,609      |
| Total noncurrent liabilities               | 459,624            | 11,973,091       | 79,624                        | 12,512,339   |
| Total Liabilities                          | 623,822            | 15,624,688       | 81,719                        | 16,330,229   |
| <b>Deferred Inflows</b>                    |                    |                  |                               |              |
| Pension Related                            | 28,290             | 23,904           | 4,901                         | 57,095       |
| Total Deferred Inflows                     | 28,290             | 23,904           | 4,901                         | 57,095       |
| <b>Net Position</b>                        |                    |                  |                               |              |
| Net investment in capital assets           | 675,880            | 27,447,876       | 4,323,708                     | 32,447,464   |
| Unrestricted net position                  | (519,559)          | (12,685,182)     | (16,348)                      | (13,221,089) |
| Total Net Position                         | \$ 156,321         | 14,762,694       | 4,307,360                     | 19,226,375   |

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

|   | Golf Course<br>010 | Utilities<br>003   | Nonmajor<br>Proprietary Funds | Total              |
|---|--------------------|--------------------|-------------------------------|--------------------|
| <i>Operating Revenues</i>                           |                    |                    |                               |                    |
| Charges for Services                                | \$ 414,433         | 5,888,794          | -                             | 6,303,227          |
| Operating Grants                                    | -                  | -                  | -                             | -                  |
| <b>Total operating revenues</b>                     | <b>414,433</b>     | <b>5,888,794</b>   | <b>-</b>                      | <b>6,303,227</b>   |
| <i>Operating Expenses</i>                           |                    |                    |                               |                    |
| General and administrative                          | 120,619            | 3,759,759          | 227,695                       | 4,108,073          |
| Personnel services                                  | 538,555            | 367,039            | -                             | 905,594            |
| Contractual services                                | 5,350              | 8,676              | -                             | 14,026             |
| Supplies and purchased power                        | -                  | -                  | -                             | -                  |
| Maintenance and materials                           | 54,485             | 254,156            | -                             | 308,641            |
| Utilities   | 110,030            | 343,679            | 5,282                         | 458,991            |
| Gross receipts tax expense                          | -                  | -                  | -                             | -                  |
| Closure costs                                       | -                  | -                  | -                             | -                  |
| Depreciation  | 20,107             | 315,011            | 12,044                        | 347,162            |
| <i>Total operating expenses</i>                     | <i>849,146</i>     | <i>5,048,320</i>   | <i>245,021</i>                | <i>6,142,487</i>   |
| <i>Operation income (loss)</i>                      | <i>(434,713)</i>   | <i>840,474</i>     | <i>(245,021)</i>              | <i>160,740</i>     |
| <i>Non-operating revenues (expenses)</i>            |                    |                    |                               |                    |
| Interest income                                     | -                  | -                  | -                             | -                  |
| Interest expense                                    | -                  | (9,017)            | -                             | (9,017)            |
| Gross receipts tax revenue                          | -                  | -                  | -                             | -                  |
| Principal payments on debt                          | -                  | -                  | -                             | -                  |
| Proceeds from bond issuance                         | -                  | -                  | -                             | -                  |
| Miscellaneous                                       | -                  | 114,000            | 107,426                       | 221,426            |
| Gain (loss) from sale of capital assets             | -                  | -                  | -                             | -                  |
| <b>Total non-operating revenues (expenses)</b>      | <b>-</b>           | <b>104,983</b>     | <b>107,426</b>                | <b>212,409</b>     |
| Income (Loss) Before Contributions and Transfers    | (434,713)          | 945,457            | (137,595)                     | 373,149            |
| <i>Other Financing Sources (Uses)</i>               |                    |                    |                               |                    |
| Transfers in  | 240,000            | 1,225,288          | 4,433,752                     | 5,899,040          |
| Transfers out                                       | -                  | (8,547,265)        | -                             | (8,547,265)        |
| <i>Net transfers</i>                                | <i>240,000</i>     | <i>(7,321,977)</i> | <i>4,433,752</i>              | <i>(2,648,225)</i> |
| <b>Change in net position</b>                       | <b>(194,713)</b>   | <b>(6,376,520)</b> | <b>4,296,157</b>              | <b>(2,275,076)</b> |
| <i>Beginning net position, as previously stated</i> | <i>338,901</i>     | <i>21,125,373</i>  | <i>11,474</i>                 | <i>21,475,748</i>  |
| Restatement (Note 21)                               | 12,133             | 13,841             | (271)                         | 25,703             |
| Net position - beginning, as restated               | 351,034            | 21,139,214         | 11,203                        | 21,501,451         |
| <i>Net position, end of year</i>                    | <i>\$ 156,321</i>  | <i>14,762,694</i>  | <i>4,307,360</i>              | <i>19,226,375</i>  |

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2018**

|  | Golf Course<br>010  | Utilities<br>003   | Nonmajor<br>Proprietary Funds | Total              |
|--|---------------------|--------------------|-------------------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                    |                               |                    |
| Cash received from customers and others  | \$ 539,603          | 13,994,699         | 73,905                        | 14,608,207         |
| Cash paid for goods and services   | (831,675)           | (12,254,762)       | (249,901)                     | (13,336,338)       |
| <b>Net cash provided by operating activities</b>                                       | <b>(292,072)</b>    | <b>1,739,937</b>   | <b>(175,996)</b>              | <b>1,271,869</b>   |
| <b>Cash Flows From Investing Activities</b>  |                     |                    |                               |                    |
| Interest income  | -                   | -                  | -                             | -                  |
| <b>Net cash provided by investing activities</b>                                       | <b>-</b>            | <b>-</b>           | <b>-</b>                      | <b>-</b>           |
| <b>Cash Flows From Non-Capital Financing</b>   |                     |                    |                               |                    |
| Miscellaneous income   | -                   | 114,000            | 107,426                       |                    |
| Transfers  | 240,000             | (7,321,977)        | 4,433,752                     | (2,648,225)        |
| <b>Net cash provided (used) by non-capital financing activities</b>                    | <b>240,000</b>      | <b>(7,207,977)</b> | <b>4,541,178</b>              | <b>(2,648,225)</b> |
| <b>Cash Flows From Capital and Related Financing Activities</b>                        |                     |                    |                               |                    |
| Proceeds from debt   | -                   | 11,231,965         | -                             | 11,231,965         |
| Purchases of capital assets  | -                   | (11,231,965)       | (4,335,752)                   | (15,567,717)       |
| Debt payment   | -                   | (424,915)          | -                             | (424,915)          |
| Interest paid  | -                   | (9,017)            | -                             | (9,017)            |
| <b>Net cash used by capital and related financing activities</b>                       | <b>-</b>            | <b>(433,932)</b>   | <b>(4,335,752)</b>            | <b>(4,769,684)</b> |
| Net decrease in cash and cash equivalents  | (52,072)            | (5,901,972)        | 29,430                        | (6,146,040)        |
| Cash and restricted cash and cash equivalents, beginning of year                       | (39,079)            | 3,039,675          | 1,509                         | 3,002,105          |
| <b>Cash and restricted cash and cash equivalents, end of year</b>                      | <b>\$ (91,151)</b>  | <b>(2,862,297)</b> | <b>30,939</b>                 | <b>(3,143,935)</b> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities |                     |                    |                               |                    |
| Operating income (loss)  | \$ (434,713)        | 840,474            | (245,021)                     | 160,740            |
| Adjustments to operating (loss) income to net cash provided by operating activities:   |                     |                    |                               |                    |
| Depreciation   | 20,107              | 315,011            | 12,044                        | 347,162            |
| Change in assets and liabilities:  |                     |                    |                               |                    |
| Receivables  | 3,595               | 168,996            | 20,716                        | 193,307            |
| Prepays  | -                   | (100)              | -                             | (100)              |
| Inventory  | -                   | (6,721)            | -                             | (6,721)            |
| Due from other funds   | -                   | 7,483,272          | -                             | 7,483,272          |
| Deferred outflows  | 46,620              | 94,335             | (4,880)                       | 136,075            |
| Accounts payable   | 21,628              | 323,779            | -                             | 345,407            |
| Accrued payroll  | 1,709               | (49)               | 250                           | 1,910              |
| Deposits   | -                   | 16,765             | -                             | 16,765             |
| Due to other funds   | -                   | (7,355,358)        | -                             | (7,355,358)        |
| Compensated absences   | (2,636)             | (29,176)           | -                             | (31,812)           |
| Net pension liability  | 27,616              | (130,049)          | 36,423                        | (66,010)           |
| Deferred inflows   | 24,002              | 18,758             | 4,472                         | 47,232             |
| <b>Net cash provided by operating activities</b>                                       | <b>\$ (292,072)</b> | <b>1,739,937</b>   | <b>(175,996)</b>              | <b>1,271,869</b>   |

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
June 30, 2018**

*Assets*

|      |    |               |
|------|----|---------------|
| Cash | \$ | <u>46,171</u> |
|------|----|---------------|

*Liabilities*

|                                   |    |               |
|-----------------------------------|----|---------------|
| Deposits held in trust for others | \$ | <u>46,171</u> |
|-----------------------------------|----|---------------|

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

The City of Grants (the “City”) is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The City was incorporated during 1941 under the laws of the State of New Mexico. 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 effective December 1, 1966. The City operates under a Council-Manager 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, airport and a golf course.

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

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

This summary of significant accounting policies of the City is presented to assist in the understanding of the City’s financial statements. The financial statements and notes are the representation of City’s management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Financial Reporting Entity.** The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City of Grants and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not have any component units.

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

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

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City’s net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

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

segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation.** The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used



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

for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services for the City's water, sewer, airport and a golf course. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the requirements of GASB Statement No. 34, the City is required to present certain of its governmental funds as major based upon specific criteria.

The City reports the following major governmental funds:

The *General Fund* – is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The *General Government Improvements Fund* – accounts for construction and improvement funds received from various sources for the improvement of City properties.

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

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

*Enterprise – Airport Fund* – accounts for the operation of the municipal airport. 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* – are used to account for monies held by the City in a custodial capacity. They do not report operations or have a measurement focus.

Additionally, the government reports the following fund types:

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Proprietary Funds* are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The *Fiduciary Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are used to account for the collection and payment of appearance bonds and funds raised by members of the City of Grants Senior Citizen Organization.

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

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

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

**Deferred Outflows/Inflows of Resources.** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2018, the City reported deferred outflows for the defined pension plan. Deferred inflows are reported in the governmental funds regarding property taxes and the defined pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

**Deposits and Investments.** The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition. 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.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

The City participates in the State Treasurer Local Government Investment Pool (LGIP). This pool is regulated by state law and regulations. Investment in the pool is reported at carrying amount, which reasonably estimates fair value. Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Receivables and Payables.** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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

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

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

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Cibola County and remitted monthly to the City.

**Inventory.** 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. Inventory at June 30, 2018 in the proprietary funds was \$72,446.

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

**Restricted Assets.** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. The City was a phase III government for purposes of implementing GASB 34 and therefore was not required to include the historical cost of infrastructure assets retroactive to 1980. Since the implementation of GASB 34, the City includes infrastructure in its capital assets. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction related interest is capitalized only in the proprietary funds.

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

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

| <u>Assets</u>              | <u>Years</u> |
|----------------------------|--------------|
| Land Improvements          | 10 - 50      |
| Infrastructure             | 25 - 50      |
| Buildings and improvements | 30 - 50      |
| Machinery and Equipment    | 3 - 15       |

**Accrued Expenses.** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2018, along with applicable PERA and Retiree Health Care benefits.

**Unearned Revenue.** There are two types of unearned revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, then those assets must be offset by a corresponding liability for unearned revenue. The other type of unearned revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for unearned revenue.

**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.

**Long-term Obligations.** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs related to insurance, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs other than related insurance are expended in the year incurred. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Pension.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

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

**Postemployment Benefits Other Than Pensions (OPEB).** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Grants Retiree Medical Insurance Plan (the “Plan”) and additions to and deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**Fund Balance Classification Policies and Procedures.** For committed fund balance the City has self-imposed limitations for specific purposes set in place by formal action of the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same form of action it used to impose the limitation. At June 30, 2018, there were no committed fund balances.

For assigned fund balance the City includes amounts that are intended to be spent for a specific purpose, but are not restricted or committed. The City has latitude in spending the funds for general fund requirements if the City Council approves such in the budget. At June 30, 2018, the assigned fund balance was \$-0-.

For the classification of fund balances the City will expend resources as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

**Restricted Fund Balance.** At June 30, 2018, the restricted fund balance on the governmental funds balance sheet is made up of \$3,217,904 for purposes mandated by externally enforceable limitations.

**Equity Classifications.**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets*  
Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position*  
Consists of net position with constraints placed on the 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. Descriptions for the related restrictions for net position restricted for “special revenue, debt service, and capital projects” are described on page 45.
- c. *Unrestricted net position*  
All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**STATE OF NEW MEXICO  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include management's estimate of depreciation on assets over their estimated useful lives, accrued compensated absences, the allowance for uncollectible accounts, and landfill liabilities.

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

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

The governmental funds budgetary comparisons are presented on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The proprietary funds budgetary comparisons are presented in accordance with generally accepted accounting principles except for amortization and depreciation that is not budgeted. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects, and Proprietary Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The governmental funds budgetary comparisons are presented on the cash basis of accounting which is

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**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY (CONTINUED)**

a comprehensive basis of accounting other than generally accepted accounting principles. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented. The proprietary funds budgetary comparisons are presented in accordance with generally accepted accounting principles. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund, can be found on each individual budgetary statement.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

The collateral pledged is listed on Schedule II in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, \$1,967,911 of the City's bank balances of \$6,773,158 were exposed to custodial credit risk. \$6,151,557 was collateralized by securities held by the pledging bank's trust department, not in the City's name.



**STATE OF NEW MEXICO  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits with the New Mexico Finance Authority.** The City has deposits with the New Mexico Finance Authority which is a State Agency that has its funds deposited with the New Mexico State Treasurer. The New Mexico 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 6-10-10.1 A and E, NMSA 1978. These funds are not subject to the collateralization requirements.

|   | Bank of New<br>Mexico | Wells Fargo      | New Mexico<br>Finance<br>Authority | Total            |
|---|-----------------------|------------------|------------------------------------|------------------|
| Amount of Deposits  | \$ 2,013,323          | 3,810,731        | 199,350                            | 6,023,404        |
| Certificates of Deposit   | -                     | 749,754          | -                                  | 749,754          |
| Less: FDIC Coverage   | <u>250,000</u>        | <u>500,000</u>   | <u>-</u>                           | <u>750,000</u>   |
| Total uninsured public funds  | <u>\$ 1,763,323</u>   | <u>4,060,485</u> | <u>199,350</u>                     | <u>6,023,158</u> |
| Collateralized by securities held by<br>pledging institutions or by its trust<br>department or agent in other than<br>the City's name | \$ 4,058,983          | 2,092,574        | -                                  | 6,151,557        |
| Uninsured and uncollateralized  | <u>\$ -</u>           | <u>1,967,911</u> | <u>-</u>                           | <u>1,967,911</u> |
| Collateral requirement (50% of<br>uninsured public funds)   | \$ 881,662            | 2,030,243        | -                                  | 2,911,905        |
| Pledged collateral  | <u>4,058,983</u>      | <u>2,092,574</u> | <u>-</u>                           | <u>6,151,557</u> |
| Over (under) collateralized   | <u>\$ 3,177,321</u>   | <u>62,331</u>    | <u>-</u>                           | <u>3,239,653</u> |

**Investments.** The City invests in the New MexiGROW Local Government Investment Pool's (LGIP) in an effort to distribute their interest bearing accounts among various entities. The (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico 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 6-10-10.1 A and E, NMSA 1978. 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 fund amounts were invested. Participation in the LGIP is voluntary.

**STATE OF NEW MEXICO  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The City’s investments at June 30, 2018 include the following:

| Investments             | Rated | Weighted<br>Average<br>Maturity<br>(R) | Weighted<br>Average<br>Maturity<br>(F) | Fair Market Value   |
|-------------------------|-------|--|--|---------------------|
| LGIP                    | *AAAm | 48 Days                                | 93 Days                                | \$ 6,027,083        |
| Certificates of Deposit |       |  |  | 749,754             |
|                         |       |  |  | <u>\$ 6,776,837</u> |

*\*Based off Standard & Poor’s rating*

**Interest Rate Risk – Investments.** The City’s policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

**Concentration of Credit Risk – Investments.** For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New MexiGROW LGIP represent 89% of the investment portfolio. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City. The City’s policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

|   |                     |
|---|---------------------|
| Unrestricted cash, cash equivalents and investments | \$ 17,336,546       |
| Bank overdraft                                      | (5,456,968)         |
| Agency funds cash                                   | 46,171              |
| Restricted cash – New Mexico Finance Authority      | 199,350             |
| Plus outstanding checks                             | 680,308             |
| Less: deposits in transit                           | -                   |
| Less: petty cash                                    | (5,166)             |
| Less: investment in LGIP                            | <u>(6,027,083)</u>  |
| Bank balance of deposits                            | <u>\$ 6,773,158</u> |
| Demand Deposits – Bank Balance                      | \$ 6,023,406        |
| Certificates of Deposit – Bank Balance              | <u>749,754</u>      |
| Total Bank Balance                                  | <u>\$ 6,773,158</u> |

GASB Statement No. 72 requires investment to be presented at fair value. This statement provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**STATE OF NEW MEXICO  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Basis of Fair Value Measurement –**

|         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.  |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of June 30, 2018:

|                            | Investment Assets at Fair Value as of June 30, 2018 |                |                |                  |
|----------------------------|---|----------------|----------------|------------------|
|                            | <u>Level 1</u>                                      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
| Investment in              |   |                |                |                  |
| LGIP                       | \$ 6,027,083  | -              | -              | 6,027,083        |
| Certificates of Deposit    | 749,754   | -              | -              | 749,754          |
| Total Assets at fair value | <u>\$ 6,776,837</u>                                 | <u>-</u>       | <u>-</u>       | <u>6,776,837</u> |

**NOTE 4 – RECEIVABLES**

Governmental funds receivables as of June 30, 2018 are shown as follows:

|                           |    | General          | Capital<br>Improvements | Nonmajor              | Total            |
|---------------------------|----|------------------|-------------------------|-----------------------|------------------|
|                           |    |                  |                         | Governmental<br>Funds |                  |
| Property Taxes            | \$ | 259,521          | -                       | 22,882                | 282,403          |
| Other Taxes               |    | 1,259,654        | -                       | -                     | 1,259,654        |
| Intergovernmental grants: |    |                  |                         |                       |                  |
| State                     |    | 19,837           | 431,095                 | 84,940                | 535,872          |
| Totals by category        | \$ | <u>1,539,012</u> | <u>431,095</u>          | <u>107,822</u>        | <u>2,077,929</u> |

In accordance with GASB 33 property tax revenues in the amount of \$244,705 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements.

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**NOTE 4 – RECEIVABLES (CONTINUED)**

Proprietary fund receivables as of June 30, 2018 are shown as follows:

|  | <u>Airport</u>   | <u>Utilities</u> | <u>Total</u>   |
|--|------------------|------------------|----------------|
| Customer receivables                     | \$ -             | 372,504          | 372,504        |
| Other                                    | 16,536           | -                | 16,536         |
| Less: Allowance for doubtful<br>accounts |                  | (66,077)         | (66,077)       |
| Total by category                        | \$ <u>16,536</u> | <u>306,427</u>   | <u>322,963</u> |

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2018 is as follows:

|                                 | <u>Due From</u>     | <u>Due To</u>    |
|---------------------------------|---------------------|------------------|
| General Fund                    | -                   | 193,726          |
| Utility Fund                    | \$ 2,463,764        | -                |
| General Government Improvements | -                   | 2,474,589        |
| Foster Grand Parents            | -                   | 4,000            |
| Senior Companion Program        | -                   | 4,600            |
| Fire Protection                 | 208,073             | -                |
| Emergency Medical Service       | 8,079               | -                |
| Senior Employment Program       | -                   | 3,000            |
|                                 | \$ <u>2,679,916</u> | <u>2,679,916</u> |

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**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Operating transfers that occurred during the year were made to close out funds and to supplement other funding sources as follows:

|                                       | <u>Transfers In</u>      | <u>Transfers Out</u>     |
|---------------------------------------|--------------------------|--------------------------|
| <i>Governmental Activities</i>        |                          |                          |
| Major Funds                           |                          |                          |
| General                               | \$ 5,327,301             | \$ 1,399,535             |
| General Government Improvements       | 3,117,622                | 3,735,754                |
| Non-major Funds                       |                          |                          |
| Cibola Senior Citizens                | 120,000                  | -                        |
| Emergency Medical Service             | 1,500                    |                          |
| Fire Protection                       | -                        | 54,743                   |
| Foster Grand Parents                  | -                        | 61,640                   |
| GRT Street & Parks Improvements       | -                        | 600,000                  |
| Litter Control & Beautification       | -                        | 4,269                    |
| Local Government Corrections          | 215,000                  | -                        |
| Lodgers' Tax                          | -                        | 280,873                  |
| Lodgers' Tax Promotional              | 280,873                  | -                        |
| Senior Companion                      | -                        | 73,661                   |
| GRT Revenue Bond                      | -                        | 302,280                  |
| NMFA Loan – Debt Service              | 119,330                  | -                        |
| NMFA Reserve                          | -                        | 20,646                   |
| <b>Total Governmental Activities</b>  | <b>\$ 9,181,626</b>      | <b>\$ 6,533,401</b>      |
| <br><i>Business-type Activities</i>   |                          |                          |
| Utility                               | 1,225,288                | 8,547,265                |
| Airport                               | 4,433,752                | -                        |
| Golf Course                           | 240,000                  | -                        |
| <b>Total Business-Type Activities</b> | <b>5,899,040</b>         | <b>8,547,265</b>         |
| <br><b>Total</b>                      | <br><b>\$ 15,080,666</b> | <br><b>\$ 15,080,666</b> |

All interfund balances are intended to be repaid within one year.

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**NOTE 6 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2018, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land, art, and construction in progress are not subject to depreciation.

|                                       | Balance<br>June 30,<br>2017 | Additions         | Deletions          | Transfer to<br>Enterprise<br>Funds | Balance<br>June 30,<br>2018 |
|---------------------------------------|-----------------------------|-------------------|--------------------|------------------------------------|-----------------------------|
| <b>Governmental Activities</b>        |                             |                   |                    |                                    |                             |
| Capital Assets not being depreciated: |                             |                   |                    |                                    |                             |
| Art                                   | \$ 122,897                  | -                 | -                  | -                                  | 122,897                     |
| Land                                  | 3,453,636                   | -                 | -                  | -                                  | 3,453,636                   |
| Construction in Progress              | 7,844,187                   | 7,835,483         | (3,201,256)        | (4,335,752)                        | 8,142,662                   |
| <b>Total</b>                          | <u>11,420,720</u>           | <u>7,835,483</u>  | <u>(3,201,256)</u> | <u>(4,335,752)</u>                 | <u>11,719,195</u>           |
| Capital Assets being depreciated:     |                             |                   |                    |                                    |                             |
| Land improvements                     | 6,375,309                   | -                 | -                  | -                                  | 6,375,309                   |
| Buildings and improvements            | 12,318,207                  | 3,201,256         | -                  | -                                  | 15,519,463                  |
| Machinery and equipment               | 8,423,917                   | 764,078           | -                  | -                                  | 9,187,995                   |
| Software                              | -                           | 63,649            | -                  | -                                  | 63,649                      |
| Infrastructure                        | 33,291,018                  | 669,503           | -                  | -                                  | 33,960,521                  |
| <b>Total</b>                          | <u>60,408,451</u>           | <u>4,698,486</u>  | <u>-</u>           | <u>-</u>                           | <u>65,106,937</u>           |
| Less accumulated depreciation:        |                             |                   |                    |                                    |                             |
| Land improvements                     | 2,112,160                   | 171,831           | -                  | -                                  | 2,283,991                   |
| Buildings and improvements            | 5,118,360                   | 317,386           | -                  | -                                  | 5,435,746                   |
| Machinery and equipment               | 6,763,066                   | 485,707           | -                  | -                                  | 7,248,773                   |
| Software                              | -                           | 5,116             | -                  | -                                  | 5,116                       |
| Infrastructure                        | 7,426,856                   | 799,787           | -                  | -                                  | 8,226,643                   |
| <b>Total</b>                          | <u>21,420,442</u>           | <u>1,779,827</u>  | <u>-</u>           | <u>-</u>                           | <u>23,200,269</u>           |
| <b>Total capital assets, net</b>      | <u>\$ 50,408,729</u>        | <u>10,754,142</u> | <u>(3,201,256)</u> | <u>(4,335,752)</u>                 | <u>53,625,863</u>           |

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**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

|                            |    |                  |
|----------------------------|----|------------------|
| General government         | \$ | 631,056          |
| Public safety              |    | 207,907          |
| Health and welfare         |    | 110,532          |
| Public works               |    | 786,822          |
| Culture and recreation     |    | 43,510           |
| Total depreciation expense | \$ | <u>1,779,827</u> |

|   | Balance<br>June 30, 2017 (As<br>Restated) | Additions        | Deletions | Transfers from<br>Governmental<br>Funds | Balance<br>June 30, 2018 |
|---|---|------------------|-----------|---|--------------------------|
| <b>Business-Type Activities</b>           |   |                  |           |   |                          |
| Capital assets not being depreciated:     |   |                  |           |   |                          |
| Land                                      | \$ 2,262,650                              | -                | -         | -                                       | 2,262,650                |
| Construction in progress                  | 2,397,213                                 | 9,831,011        | -         | -                                       | 12,228,224               |
| Idle assets                               | 392,602                                   |                  |           |   | 392,602                  |
| Water rights-intangible assets            | 125,612                                   | -                | -         | -                                       | 125,612                  |
| Total                                     | <u>5,178,077</u>                          | <u>9,831,011</u> | <u>-</u>  | <u>-</u>                                | <u>15,009,088</u>        |
| Capital assets being depreciated:         |   |                  |           |   |                          |
| Land improvements                         | 4,786,373                                 | -                | -         | -                                       | 4,786,373                |
| Buildings and improvements                | 938,790                                   | -                | -         | -                                       | 938,790                  |
| Machinery and equipment                   | 3,375,059                                 | -                | -         | -                                       | 3,375,059                |
| Infrastructure                            | 28,256,254                                | -                | -         | 4,335,752                               | 32,592,006               |
| Total                                     | <u>37,356,476</u>                         | <u>-</u>         | <u>-</u>  | <u>4,335,752</u>                        | <u>41,692,228</u>        |
| Less accumulated depreciation:            |   |                  |           |   |                          |
| Land improvements                         | 1,152,647                                 | 129,282          | -         | -                                       | 1,281,929                |
| Buildings and improvements                | 476,859                                   | 13,777           | -         | -                                       | 490,636                  |
| Machinery and equipment                   | 2,981,694                                 | 83,600           | -         | -                                       | 3,065,294                |
| Infrastructure                            | 19,295,490                                | 120,503          | -         | -                                       | 19,415,993               |
| Total                                     | <u>23,906,690</u>                         | <u>347,162</u>   | <u>-</u>  | <u>-</u>                                | <u>24,253,852</u>        |
| Total capital assets, net of depreciation | \$ <u>17,226,910</u>                      | <u>9,483,849</u> | <u>-</u>  | <u>4,335,752</u>                        | <u>32,447,464</u>        |

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**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2018 was charged to business-type activities as follows:

|                            |    |                       |
|----------------------------|----|-----------------------|
| Airport                    | \$ | 12,044                |
| Utilities                  |    | 315,011               |
| Golf                       |    | <u>20,107</u>         |
| Total depreciation expense | \$ | <u><u>347,162</u></u> |

**NOTE 8 – LONG TERM DEBT**

**Governmental Activities.** During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

|                      | Balance<br>June 30, 2017 | Additions      | Retirements    | Balance<br>June 30, 2018 | Due Within<br>One Year |
|----------------------|--------------------------|----------------|----------------|--------------------------|------------------------|
| NMFA - Museum        | \$ 125,861               | -              | 60,350         | 65,511                   | 65,511                 |
| NMFA – Fire Truck    | 107,443                  | -              | 53,452         | 53,991                   | 53,991                 |
| Compensated Absences | 341,486                  | 284,677        | 298,143        | 328,020                  | 262,416                |
| Totals               | <u>\$ 574,790</u>        | <u>284,677</u> | <u>471,623</u> | <u>447,522</u>           | <u>381,918</u>         |

**Compensated Absences.** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year 2018, compensated absences in the governmental activities decreased \$13,466 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities

**NMFA Note Payable - Museum.** In December of 1998, the City entered into a loan and intercept agreement with the New Mexico Finance Authority (NMFA). The loan of \$844,445 was approved by NMFA for the construction of a building to be leased for use as a museum with a variable interest rate of 3.150% to 5.150%. The annual debt service payment is \$66,560. Principal is payable each May 1 and interest is payable each November 1 and May 1, through the year 2019. The City has pledged the gross receipts tax intercept for the repayment of this agreement and note.

**NMFA Note Payable – Fire Truck.** In March of 2014, the City entered into a loan and intercept agreement with the New Mexico Finance Authority (NMFA). The loan of \$265,831 was approved by NMFA for the purchase of a fire truck with an interest rate of 9.366%. The annual debt service payment is \$54,742. Principal is payable each May 1 and interest is payable each November 1 and May 1, through the year 2019. The City has pledged the State Fire Protection Fund Revenues for the repayment of this agreement and note.



**STATE OF NEW MEXICO  
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**NOTE 8 – LONG TERM DEBT (CONTINUED)**

Notes Payable outstanding at year end for governmental activities are as follows:

| Description       | Original<br>Issue | Final Maturity | Interest Rate | Balance<br>June 30, 2018 |
|-------------------|-------------------|----------------|---------------|--------------------------|
| NMFA - Museum     | 844,445           | 5/1/2019       | 3.15 to 5.15% | \$ 65,511                |
| NMFA – Fire Truck | 265,831           | 5/1/2019       | 9.366%        | 53,991                   |
| Total             |                   |                |               | <u>\$ 119,502</u>        |

**Debt Service Requirements.** Debt service requirements on long-term debt for governmental activities at June 30, 2018 are as follows:

**Notes Payable**

| Fiscal Year Ending<br>June 30, | Principal Payment | Interest Payment | Total Debt Service |
|--------------------------------|-------------------|------------------|--------------------|
| 2019                           | \$ 119,502        | 3,991            | 123,493            |
| Total                          | <u>\$ 119,502</u> | <u>3,991</u>     | <u>123,493</u>     |

**Business-Type Activities.** During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the proprietary funds statement of net position:

|                      | Balance<br>June 30,<br>2017 (As<br>Restated) | Additions        | Retirements    | Balance<br>June 30,<br>2018 | Due<br>Within<br>One Year |
|----------------------|--|------------------|----------------|-----------------------------|---------------------------|
| NMED – WW Facility   | \$ 400,667                                   | -                | 400,667        | -                           | -                         |
| Revenue bonds        | 401,350                                      | -                | 24,248         | 377,102                     | 24,337                    |
| NMED - CWSRF 029     | 1,400,954                                    | 9,831,011        | -              | 11,231,965                  | -                         |
| Compensated absences | 91,490                                       | 51,299           | 83,111         | 59,678                      | 59,678                    |
| Totals               | <u>\$ 2,294,461</u>                          | <u>9,882,310</u> | <u>508,026</u> | <u>11,668,745</u>           | <u>84,015</u>             |

**Compensated Absences.** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year 2018, compensated absences in the business-type activities decreased \$31,812 from the prior year. Long-term compensated absences are paid out of the fund that incurs the related payroll expense.

**Revenue Bond – 194 WTB.** Water Revenue Bonds dated June 3, 2011, were issued in the amount of \$168,438 to provide funds for the construction of water system improvements along Nimitz Drive at the interest rate of 0.00% plus a .25% administrative fee. Principal is payable each June 1 and interest is payable December 1 and June 1. The bonds are secured by net revenues of the water and wastewater utility system.

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**NOTE 8 – LONG TERM DEBT (CONTINUED)**

**Revenue Bond – 152 WTB.** Water Revenue Bonds dated June 4, 2010, were issued in the amount of \$40,000 to provide funds for the construction of water system improvements on First, Second, and Roosevelt Streets with an interest rate of 0.00% plus a .25% administrative fee. Principal is payable each June 1 and interest is payable December 1 and June 1. The bonds are secured by net revenues of the water and wastewater utility system.

**Revenue Bond – 315 WTB.** Water Revenue Bonds dated September 18, 2015, were issued in the amount of \$280,000 to provide funds for a flood prevention project with an interest rate of 0.00% plus a .25% administrative fee. Principal is payable each June 1 and interest is payable December 1 and June 1. The bonds are secured by net revenues of the water and wastewater utility system.

**NMED – CWSRF 029.** In June 2016, the City entered into a construction loan agreement with the New Mexico Environment Department (NMED). The loan of \$15,500,000 was approved by NMED to pay for approved costs to acquire, modify, construct, and improve the wastewater treatment facilities with an interest rate of 0.0%. The annual debt service payment will be \$775,000 to start no later than one year after project completion. The City has pledged the net revenues of the utilities proprietary fund for the repayment of this agreement and note. At June 30, 2018 the City has drawn down \$11,231,965. The project was not complete as of June 30, 2018.

Long term debt outstanding at year end for business-type activities are as follows:

| Description          | Original Issue | Final Maturity | Interest Rate | Balance<br>June 30, 2018 |
|----------------------|----------------|----------------|---------------|--------------------------|
| Revenue Bond 194 WTB | 168,438        | 6/1/2031       | 0.00%         | \$ 110,439               |
| Revenue Bond 152 WTB | 40,000         | 06/01/2030     | 0.00%         | 24,267                   |
| Revenue Bond 315 WTB | 280,000        | 06/01/2035     | 0.00%         | 242,396                  |
| NMED – CWSRF 029     | 15,500,000     | 06/01/2038     | 0.00%         | 11,231,965               |
| Total                |                |                |               | \$ 11,609,067            |

**Debt Service Requirements.** Debt service requirements on long-term debt for business-type activities at June 30, 2018 are as follows:

| <b>Long term debt</b>          |                      |              |                       |
|--------------------------------|----------------------|--------------|-----------------------|
| Fiscal Year Ending<br>June 30, | Principal<br>Payment | Admin<br>Fee | Total Debt<br>Service |
| 2019                           | \$ 24,337            | 943          | 25,280                |
| 2020                           | 585,987              | 882          | 586,869               |
| 2021                           | 586,048              | 821          | 586,869               |
| 2022                           | 586,110              | 760          | 586,870               |
| 2023                           | 586,171              | 698          | 586,869               |
| 2024-2028                      | 2,931,778            | 2,567        | 2,934,345             |
| 2029-2033                      | 2,909,850            | 1,049        | 2,910,899             |
| thereafter                     | 3,398,786            | 108          | 3,398,866             |
| Total                          | \$ 11,609,067        | 7,828        | 11,616,867            |

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**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. Therefore, the City joined the New Mexico Self-Insurer's Fund Risk Pool (Pool), together with other cities and towns in the State for its property and liability insurance. The pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. The City pays an annual premium to the Pool for its general insurance coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for general liability and property claims.

Insurance settlements have not exceeded insurance coverage for any of the past five fiscal years.

**NOTE 10 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

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

**Tier II.** The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service

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**NOTE 10 - PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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

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**NOTE 10. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

| <b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b> |                                  |                                     |                                  |                                    |        |   |
|---|----------------------------------|-------------------------------------|----------------------------------|------------------------------------|--------|---|
| Coverage Plan   | Employee Contribution Percentage |                                     | Employer Contribution Percentage | Pension Factor per year of Service |        | Pension Maximum as a Percentage of the Final Average Salary |
|   | Annual Salary less than \$20,000 | Annual Salary greater than \$20,000 |                                  | TIER 1                             | TIER 2 |   |
| <b>STATE PLAN</b>   |                                  |                                     |                                  |                                    |        |   |
| State Plan 3  | 7.42%                            | 8.92%                               | 16.99%                           | 3.0%                               | 2.5%   | 90%   |
| <b>MUNICIPAL PLANS 1-4</b>  |                                  |                                     |                                  |                                    |        |   |
| Municipal Plan 1 (plan open to new employers)                         | 7.0%                             | 8.5%                                | 7.4%                             | 2.0%                               | 2.0%   | 90%   |
| Municipal Plan 2 (plan open to new employers)                         | 9.15%                            | 10.65%                              | 9.55%                            | 2.5%                               | 2.0%   | 90%   |
| Municipal Plan 3 (plan closed to new employers 6/95)                  | 13.15%                           | 14.65%                              | 9.55%                            | 3.0%                               | 2.5%   | 90%   |
| Municipal Plan 4 (plan closed to new employers 6/00)                  | 15.65%                           | 17.16%                              | 12.05%                           | 3.0%                               | 2.5%   | 90%   |
| <b>MUNICIPAL POLICE PLANS 1-5</b>                                     |                                  |                                     |                                  |                                    |        |   |
| Municipal Police Plan 1   | 7.0%                             | 8.5%                                | 10.40%                           | 2.0%                               | 2.0%   | 90%   |
| Municipal Police Plan 2   | 7.0%                             | 8.5%                                | 15.40%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Police Plan 3   | 7.0%                             | 8.5%                                | 18.90%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Police Plan 4   | 12.35%                           | 13.85%                              | 18.90%                           | 3.0%                               | 2.5%   | 90%   |
| Municipal Police Plan 5   | 16.3%                            | 17.8%                               | 18.90%                           | 3.5%                               | 3.0%   | 90%   |
| <b>MUNICIPAL FIRE PLANS 1-5</b>                                       |                                  |                                     |                                  |                                    |        |   |
| Municipal Fire Plan 1   | 8.0%                             | 9.5%                                | 11.40%                           | 2.0%                               | 2.0%   | 90%   |
| Municipal Fire Plan 2   | 8.0%                             | 9.5%                                | 17.9%                            | 2.5%                               | 2.0%   | 90%   |
| Municipal Fire Plan 3   | 8.0%                             | 9.5%                                | 21.65%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Fire Plan 4   | 12.8%                            | 14.3%                               | 21.65%                           | 3.0%                               | 2.5%   | 90%   |
| Municipal Fire Plan 2   | 16.2%                            | 17.7%                               | 21.65%                           | 3.5%                               | 3.0%   | 90%   |
| <b>MUNICIPAL DETENTION OFFICER PLAN 1</b>                             |                                  |                                     |                                  |                                    |        |   |
| Municipal Detention Office Plan 1                                     | 16.65%                           | 18.15%                              | 17.08%                           | 3.0%                               | 3.0%   | 90%   |
| <b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>        |                                  |                                     |                                  |                                    |        |   |
| State Police and Adult Correctional Officer Plan 1                    | 7.6%                             | 9.1%                                | 25.50%                           | 3.0%                               | 3.0%   | 90%   |
| State Plan 3 – Peace Officer  | 7.42%                            | 8.92%                               | 16.99%                           | 3.0%                               | 3.0%   | 90%   |
| Juvenile Correctional Officer Plan 2                                  | 4.78%                            | 6.28%                               | 26.12%                           | 3.0%                               | 3.0%   | 90%   |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2018, the City reported a liability of \$7,670,585 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

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**NOTE 10. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

*For PERA Fund Division Municipal Plan 3*, at June 30, 2018, the City reported a liability of \$3,932,630 for its proportionate share of the net pension liability. At June 30, 2017, the City’s proportion was 0.2862% percent, which increased 0.0158% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Plan 3 pension expense of \$419,963. At June 30, 2018, the City reported PERA Fund Division Municipal Plan 3 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 154,525                                    | (201,418)                                    |
| Changes in assumptions  | 181,353                                       | (40,638)                                     |
| Net difference between projected and actual earnings on pension plan investments                            | 322,649                                       | -  |
| Changes in proportion and differences between City’s contributions and proportionate share of contributions | 315,149                                       | -  |
| City’s contributions subsequent to the measurement date   | <u>209,905</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 1,183,581</u>                           | <u>(242,056)</u>                             |

\$209,905 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |            |
|---------------------|------------|
| 2019                | \$ 265,520 |
| 2020                | 461,718    |
| 2021                | 98,673     |
| 2022                | (94,291)   |
| 2023                | -          |
| Thereafter          | -          |

*For PERA Fund Division Municipal Police Plan 5*, at June 30, 2018, the City reported a liability of \$2,104,483 for its proportionate share of the net pension liability. At June 30, 2017, the City’s proportion was 0.3788% percent, which decreased 0.035% from its proportion measured as of June 30, 2016.

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**NOTE 10. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Police Plan 5 pension expense of \$185,062. At June 30, 2018, the City reported PERA Fund Division Municipal Police Plan 5 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 127,816                                    | (393,202)                                    |
| Changes in assumptions  | 125,210                                       | (48,936)                                     |
| Net difference between projected and actual earnings on pension plan investments                            | 169,487                                       | -  |
| Changes in proportion and differences between City's contributions and proportionate share of contributions | 166,100                                       | (137,932)                                    |
| City's contributions subsequent to the measurement date   | <u>138,268</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 726,881</u>                             | <u>(580,070)</u>                             |

\$138,268 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |           |
|---------------------|-----------|
| 2019                | \$ 56,540 |
| 2020                | 103,274   |
| 2021                | (101,716) |
| 2022                | (49,555)  |
| 2023                | -         |
| Thereafter          | -         |

**For PERA Fund Division Municipal Fire Plan 5**, at June 30, 2018, the City reported a liability of \$1,633,472 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.2855% percent, which decreased 0.0171% from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Fire Plan 5 pension expense of \$133,459. At June 30, 2018, the Village reported PERA Fund Division Municipal Fire Plan 5 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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NOTE 10. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 53,336                            | (204,538)                           |
| Changes in assumptions  | 64,578                               | (10,241)                            |
| Net difference between projected and actual earnings on pension plan investments                            | 61,319                               | -                                   |
| Changes in proportion and differences between City’s contributions and proportionate share of contributions | 81,418                               | (69,245)                            |
| City’s contributions subsequent to the measurement date   | 68,780                               | -                                   |
| Total   | \$ 329,431                           | (284,024)                           |

\$68,780 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |           |
|---------------------|-----------|
| 2019                | \$ 20,480 |
| 2020                | 33,295    |
| 2021                | (59,481)  |
| 2022                | (17,667)  |
| 2023                | -         |
| Thereafter          | -         |

**Actuarial assumptions:** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement.



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**NOTE 10. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

|                            |   |
|----------------------------|---|
| Actuarial valuation date   | June 30, 2016   |
| Actuarial cost method      | Entry age normal  |
| Amortization method        | Level of percentage of pay  |
| Amortization period        | Solved for based on statutory rates   |
| Asset valuation method     | 4 Year smoothed market value  |
| Actuarial assumptions      |   |
| Investment rate of return  | 7.51% annual rate, net of investment expense  |
| Projected benefit payment  | 100 years   |
| Payroll growth             | 2.75% for first 9 years, then 3.25% annual rate   |
| Projected salary increases | 2.75% to 14.00% annual rate   |
| Includes inflation at      | 2.25% annual rate first 9 years<br>2.75% all other years  |
| Mortality assumption       | RP-2000 Mortality Tables (Combined table for health post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA |
| Experience study dates     | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)   |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

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

| <b>Asset Class</b>           | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|------------------------------|--------------------------|---|
| Global Equity                | 43.5%                    | 7.39%   |
| Risk Reduction & Mitigation  | 21.5%                    | 1.79%   |
| Credit Oriented Fixed Income | 15.0%                    | 5.77%   |
| Real Assets                  | 20.0%                    | 7.35%   |
| Total                        | <u>100.0%</u>            |   |

**Discount rate:** A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash

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**NOTE 10. – PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ACT (CONTINUED)**

flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate:** The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

**PERA Fund Division Municipal Plan 3**

|   | <b>1%<br/>Decrease<br/>(6.51%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(7.51%)</b> | <b>1%<br/>Increase<br/>(8.51%)</b> |
|---|------------------------------------|--|------------------------------------|
| City’s proportionate share of the net pension liability | \$ <u>6,163,730</u>                | <u>3,932,630</u>                                 | <u>2,077,160</u>                   |

**PERA Fund Division Municipal Police Plan 5**

|   | <b>1%<br/>Decrease<br/>(6.51%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(7.51%)</b> | <b>1%<br/>Increase<br/>(8.51%)</b> |
|---|------------------------------------|--|------------------------------------|
| City’s proportionate share of the net pension liability | \$ <u>3,356,066</u>                | <u>2,104,483</u>                                 | <u>1,077,374</u>                   |

**PERA Fund Division Municipal Fire Plan 5**

|   | <b>1%<br/>Decrease<br/>(6.51%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(7.51%)</b> | <b>1%<br/>Increase<br/>(8.51%)</b> |
|---|------------------------------------|--|------------------------------------|
| City’s proportionate share of the net pension liability | \$ <u>2,189,276</u>                | <u>1,633,471</u>                                 | <u>1,175,439</u>                   |

**Payables to the pension plan:** The City accrued \$29,949 in PERA benefits at June 30, 2018 for the pay period beginning June 18, 2018, and ending July 8, 2018.

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**NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN**

***General Information about the OPEB Plan***

**Plan Description.** The City’s defined benefit OPEB plan, the City of Grants’ Retiree Medical Insurance Plan (Plan), provides retiree medical program coverage to 3 current retirees of the City who qualify for retirement based on the City of Grants’ guidelines. The City elected to terminate the plan effective July 1, 2014. No other employees are eligible. The Plan is a single-employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 74.

**Benefits provided.** The Plan is a fully insured medical and prescription drug benefit program for retirees and their dependents. The benefit terms provide for payment of 100% of health insurance premiums for non-Medicare-eligible retirees. The program is intended to offer comprehensive coverage for most preventive, major medical and prescription drug benefits from retirement until age 65. Retirees age 65 or older are not eligible for continued coverage under the City’s group medical insurance plan. At age 65 retirees are transferred to a Senior Plan that is not paid for by the City.

**Employees covered by benefit terms.** At June 30, 2018, the Plan’s measurement date, the following employees were covered by the benefit terms:

|  |          |
|--|----------|
| Plan membership                              |          |
| Active                                       | 0        |
| Retired Members                              | 3        |
| Spouse of Eligible Retirees                  | 0        |
| Beneficiaries/Spouses of Ineligible Retirees | 0        |
| Total Plan Membership                        | <u>3</u> |

***Net OPEB Liability***

The City’s net OPEB liability of \$200,034 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|  |                      |
|--|----------------------|
|  | <b>June 30, 2018</b> |
| Inflation                                | 5.00%                |
| Salary increases                         | 3.00%                |
| Discount rate                            | 4.19%                |
| Healthcare cost trend rates              | 5.00%                |
| Retirees’ share of benefit-related costs | -                    |

The discount rate was based on bond yield of 4.19%.

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**NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**Mortality Rates.** RP-2000 Healthy Mortality Tables for males and females projected 18 years. This assumption does not include a margin for future improvements in longevity.

The size of the Plan's population is not large enough to have a statistically credible independent study of retiree mortality. As such, the valuation relies on a standard published table that is appropriate to the Plan's population.

**Changes in Net OPEB Liability**

|  |    |                 |
|--|----|-----------------|
| Balance as of June 30, 2018                    | \$ | <u>200,034</u>  |
| Changes for the year:                          |    |                 |
| Service Cost                                   |    | -               |
| Interest on total OPEB liability               |    | 8,497           |
| Effect of economic/demographic gains or losses |    | (12,844)        |
| Effect of assumptions changes or inputs        |    | (2,131)         |
| Benefit payments                               |    | <u>(28,095)</u> |
| Net changes                                    | \$ | <u>(34,573)</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.85 percent in 2017 to 4.19 percent in 2018.

**Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates.** The following presents the net OPEB liability of the Plan, calculated using the disclosure discount rate as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                        | <b>1% Decrease</b> | <b>Current</b>       | <b>1% Increase</b> |
|------------------------|--------------------|----------------------|--------------------|
|                        | <b>3.19%</b>       | <b>Discount Rate</b> | <b>5.19%</b>       |
|                        | <u>          </u>  | <u>          </u>    | <u>          </u>  |
| Total OPEB Liability   | \$ 206,417         | 200,034              | 193,986            |
| Fiduciary net position | -                  | -                    | -                  |
| Net OPEB liability     | <u>\$ 206,417</u>  | <u>200,034</u>       | <u>193,986</u>     |

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                        | <b>1% Decrease</b> | <b>Current</b>       | <b>1% Increase</b> |
|------------------------|--------------------|----------------------|--------------------|
|                        | <u>          </u>  | <u>Discount Rate</u> | <u>          </u>  |
| Total OPEB Liability   | \$ 199,233         | 200,034              | 200,866            |
| Fiduciary net position | -                  | -                    | -                  |
| Net OPEB liability     | <u>\$ 199,233</u>  | <u>200,034</u>       | <u>200,866</u>     |

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**NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**OPEB Expense.** For the year ended June 30, 2018, the Village recognized OPEB expense of \$28,094.

**Payables changes in the net OPEB liability.** At June 30, 2018, the City did not accrue any payables for OPEB.

**NOTE 12. – CONTINGENT LIABILITIES**

The City is a defendant in a number of lawsuits as of June 30, 2018. It is the opinion of management and City council that the amount of losses resulting from these litigations at year end would not be material to the financial position of the City.

**NOTE 13 – FEDERAL AND STATE GRANTS**

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

**NOTE 14 – RESTRICTED NET POSITION**

The government-wide statement of net position reports \$3,217,904 of restricted net position, of which \$199,350 is restricted for debt service, \$2,156,039 is restricted by enabling legislation and \$862,515 is restricted for subsequent years expenditures.

**NOTE 15 – CONCENTRATIONS**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**NOTE 16 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is April 30, 2019 which is the date on which the financial statements were issued.

**NOTE 17 – RECENT PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected

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**NOTE 17 – RECENT PRONOUNCEMENTS (CONTINUED)**

benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 was effective for periods after June 15, 2017. The City has adopted this statement for the year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB Statement No. 81 was effective for periods beginning after December 15, 2016. The City adopted this statement; however, there are no irrevocable split-interest agreements and the implementation of this statement had no effect on the City's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, good will, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 was effective for periods beginning after June 15, 2017. The adoption of GASB Statement No. 85 did not have a significant impact of the City's Financial Statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment issues*. This statement establishes essentially the same requirements as GASB Statement No.7, for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to the financial statements in the period of defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains at period-end should be disclosed. GASB Statement No. 86 was effective for periods beginning after June 15, 2017. The City adopted this statement; however, the implementation of this statement had no effect on the City's financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local governments entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The City adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the City's financial statements.

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**NOTE 18- NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City believes that the above listed new GASB pronouncements will not have a significant financial impact to the City or in issuing its financial statements.

**NOTE 19 – GOVERNMENTAL FUND BALANCE**

**Fund Balance.** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

*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.

*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 change the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

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**NOTE 19 – GOVERNMENTAL FUND BALANCE (CONTINUED)**

*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.

**Restricted Fund Balances.** Fund balances were restricted for the following purposes:

**Subsequent Years Expenditures.** The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be restricted as subsequent year expenditures to maintain an adequate cash flow until the next significant GRT collection .

**NOTE 20 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 requires the City to disclose information on certain tax abatement agreements affecting the City. Accordingly, there were not have any tax abatements affecting the City during the year ended June 30, 2018.

**NOTE 21 – PRIOR PERIOD RESTATEMENT**

During fiscal year 2018, the City identified that certain assets and liabilities had been incorrectly reported as of June 30, 2017. This resulted in a prior period adjustment and resulted in a correction to the beginning Net Position. The following adjustments were made to the restate the beginning Net Position:

|                                | <u>Amount of Error</u> | <u>Effect on Net<br/>Position</u> |
|--------------------------------|------------------------|-----------------------------------|
| Cash Overstated                | \$ 188,347             | (188,347)                         |
| Accounts Payable Overstated    | 280,494                | 280,494                           |
| Accrued Liabilities Overstated | 487,514                | 487,514                           |
| Capital Assets Understated     | 1,400,954              | 1,400,954                         |
| Long Term Debt Understated     | <u>1,400,954</u>       | <u>(1,400,954)</u>                |
|                                |                        | <u>\$ 579,661</u>                 |

Additionally, beginning net position at June 30, 2018 was restated in the amount of \$728,621. This restatement was due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.



**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 CITY OF GRANTS  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 June 30, 2017

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

| Fiscal Year<br>Measurement Date  | 30-Jun       |              |              |              |
|--|--------------|--------------|--------------|--------------|
|  | 2018<br>2017 | 2017<br>2016 | 2016<br>2015 | 2015<br>2014 |
| City's Proportion of the Net Pension Liability (Asset)   |              |              |              |              |
| Municipal General  | 0.2862%      | 0.2704%      | 0.2479%      | 0.2287%      |
| Municipal Police   | 0.3788%      | 0.4138%      | 0.3859%      | 0.3138%      |
| Municipal Fire   | 0.2855%      | 0.3026%      | 0.2727%      | 0.2673%      |
| City's Proportionate Share of Net Pension Liability (Asset)  |              |              |              |              |
| Municipal General  | \$ 3,932,630 | \$ 4,320,082 | 2,527,555    | 1,784,105    |
| Municipal Police   | 2,104,483    | 3,053,139    | 1,855,624    | 1,022,954    |
| Municipal Fire   | 1,633,472    | 2,018,650    | 1,407,454    | 1,115,708    |
|  | \$ 7,670,585 | 9,391,871    | 5,790,633    | 3,922,767    |
| City's Covered-Employee Payroll  |              |              |              |              |
| Municipal General  | \$ 2,459,580 | \$ 2,168,827 | 1,892,660    | 1,525,927    |
| Municipal Police   | 701,850      | 885,799      | 804,508      | 632,106      |
| Municipal Fire   | 388,012      | 360,697      | 319,880      | 300,092      |
|  | \$ 3,549,442 | 3,415,323    | 3,017,048    | 2,458,125    |
| City's Proportionate Share of the Net Pension Liability (Asset) as a<br>Percentage of Its Covered-Employee Payroll |              |              |              |              |
| Municipal General  | 159.89%      | 199.19%      | 133.55%      | 116.92%      |
| Municipal Police   | 299.85%      | 344.68%      | 230.65%      | 161.83%      |
| Municipal Fire   | 420.98%      | 559.65%      | 439.99%      | 371.79%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   |              |              |              |              |
| Municipal General  | 73.74%       | 69.18%       | 76.99%       | 81.29%       |
| Municipal Police   | 73.74%       | 69.18%       | 76.99%       | 81.29%       |
| Municipal Fire   | 73.74%       | 69.18%       | 76.99%       | 81.29%       |

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

STATE OF NEW MEXICO  
 CITY OF GRANTS  
 SCHEDULE OF CITY CONTRIBUTIONS  
 JUNE 30, 2018

SCHEDULE OF CITY'S CONTRIBUTIONS  
 Public Employees Retirement Association (PERA)  
 Last Ten Fiscal Years\*

|  | 2018         | 2017         | 2016      | 2015      |
|--|--------------|--------------|-----------|-----------|
| Contributions in relation to the contractually required contribution |              |              |           |           |
| Municipal General  | \$ 234,890   | \$ 239,990   | 207,123   | 180,749   |
| Municipal Police   | 132,649      | 147,970      | 167,416   | 152,052   |
| Municipal Fire   | 69,455       | 74,914       | 78,091    | 69,254    |
|  | \$ 436,994   | 462,874      | 452,630   | 402,055   |
| Contractually required contributions                                 |              |              |           |           |
| Municipal General  | \$ 238,718   | \$ 239,990   | 207,123   | 180,749   |
| Municipal Police   | 171,094      | 147,970      | 167,416   | 152,052   |
| Municipal Fire   | 81,759       | 74,914       | 78,091    | 69,254    |
|  | \$ (54,577)  | -            | -         | -         |
| City's covered payroll   |              |              |           |           |
| Municipal General  | \$ 2,459,580 | 2,512,984    | 2,168,827 | 1,892,660 |
| Municipal Police   | 701,850      | 782,910      | 885,799   | 804,508   |
| Municipal Fire   | 388,012      | 346,023      | 360,697   | 319,880   |
|  | \$ 3,549,442 | \$ 3,641,917 | 3,415,323 | 3,017,048 |

Contributions "in relation" as a percentage of covered-employee payroll

|                   |        |        |        |        |
|-------------------|--------|--------|--------|--------|
| Municipal General | 9.55%  | 9.55%  | 9.55%  | 8.33%  |
| Municipal Police  | 18.90% | 18.90% | 18.90% | 18.90% |
| Municipal Fire    | 17.90% | 21.65% | 21.65% | 21.65% |

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

\*\* Amounts for covered payroll for 2017 are imputed using the contribution rates for the various plans

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

***Assumptions:*** The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at: <http://www.nmpera.org/>

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS**

**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 emergency medical training, supplies, and equipment purchased for contract ambulance services. Financing is provided through state grants. Authority for creation of this fund is Section 24-10A-1 through 10, NMSA 1978.

**Fire Protection** – To account for the state treasurer funds distributed through the New Mexico Finance Authority to the City pursuant to the passing of a resolution. The funds may be used for the operation, maintenance and betterment of the local fire department, to the end that the hazard of loss by fire and fire insurance rates may be reduced and the public safety thereby promoted. Authority for creation of this fund is Section 59A-53-1 through 19, NMSA 1978.

**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 park improvements authorized by City resolution.

**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 treasurer funds distributed through the New Mexico Finance Authority to the City. The funds may be used for the maintenance and improvement of the police department in order to enhance the efficiency and effectiveness of law enforcement services. Authority for creation of this fund is Section 29-13-1 through 9, NMSA 1978.

**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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**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.

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|   | Special Revenue                             |  |  |                                  |
|---|---|--|--|----------------------------------|
|   | Cemetery<br>Perpetual<br>Care<br><b>091</b> | Cibola<br>Senior<br>Citizens<br><b>001</b> | Emergency<br>Medical<br>Services<br><b>015</b> | Fire<br>Protection<br><b>011</b> |
| <i>Assets</i>                                 |   |  |  |                                  |
| Cash and cash equivalents                     | \$ 136,446                                  | -  | -  | -                                |
| Receivables:                                  |   |  |  |                                  |
| Property taxes                                | -   | -  | -  | -                                |
| Other receivables                             | -   | 31,873                                     | -  | -                                |
| Due from other funds                          | -   | -  | 8,079  | 208,073                          |
| <b>Total assets</b>                           | <b>\$ 136,446</b>                           | <b>31,873</b>                              | <b>8,079</b>                                   | <b>208,073</b>                   |
| <i>Liabilities</i>                            |   |  |  |                                  |
| Accounts payable                              | \$ -  | -  | -  | -                                |
| Bank overdraft                                | -   | 30,807                                     | 7,530  | 137,473                          |
| Accrued payroll expenses                      | -   | 7,887                                      | -  | -                                |
| Accrued sales tax payable                     | -   | -  | -  | -                                |
| Due to other funds                            | -   | -  | -  | -                                |
| <b>Total liabilities</b>                      | <b>-</b>                                    | <b>38,694</b>                              | <b>7,530</b>                                   | <b>137,473</b>                   |
| <i>Deferred Inflows - Property Taxes</i>      |   |  |  |                                  |
| Unearned revenue - property taxes             | -   | -  | -  | -                                |
| <b>Total Deferred Inflows</b>                 | <b>-</b>                                    | <b>-</b>                                   | <b>-</b>                                       | <b>-</b>                         |
| <b>Total Liabilities and Deferred Inflows</b> | <b>-</b>                                    | <b>38,694</b>                              | <b>7,530</b>                                   | <b>137,473</b>                   |
| <i>Fund balances</i>                          |   |  |  |                                  |
| Nonspendable                                  | -   | -  | -  | -                                |
| Spendable                                     |   |  |  |                                  |
| Restricted                                    | 136,446                                     | -  | 549  | 70,600                           |
| Committed                                     | -   | -  | -  | -                                |
| Assigned                                      | -   | -  | -  | -                                |
| Unassigned                                    | -   | (6,821)                                    | -  | -                                |
| <b>Total fund balances</b>                    | <b>136,446</b>                              | <b>(6,821)</b>                             | <b>549</b>                                     | <b>70,600</b>                    |
| <b>Total liabilities and fund balances</b>    | <b>\$ 136,446</b>                           | <b>31,873</b>                              | <b>8,079</b>                                   | <b>208,073</b>                   |



Special Revenue

| Foster<br>Grandparents<br><b>007</b> | Gasoline<br>Road Tax<br><b>005</b> | GRT Street<br>& Parks<br>Improvement<br><b>082</b> | Juvenile<br>Recreation<br><b>019</b> | Law<br>Enforcement<br>Protection<br><b>017</b> |
|--------------------------------------|------------------------------------|--|--------------------------------------|--|
| -                                    | 588,431                            | 913,736  | 92,951                               | 2,146  |
| -                                    | 22,882                             | -  | -                                    | -  |
| 2,013                                | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| <u>2,013</u>                         | <u>611,313</u>                     | <u>913,736</u>                                     | <u>92,951</u>                        | <u>2,146</u>                                   |
| -                                    | -                                  | -  | -                                    | -  |
| 106,828                              | -                                  | -  | -                                    | -  |
| 1,032                                | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| 4,000                                | -                                  | -  | -                                    | -  |
| <u>111,860</u>                       | <u>-</u>                           | <u>-</u>   | <u>-</u>                             | <u>-</u>                                       |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| <u>111,860</u>                       | <u>-</u>                           | <u>-</u>   | <u>-</u>                             | <u>-</u>                                       |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | 611,313                            | 913,736  | 92,951                               | 2,146  |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| <u>(109,847)</u>                     | <u>611,313</u>                     | <u>913,736</u>                                     | <u>92,951</u>                        | <u>2,146</u>                                   |
| <u>(109,847)</u>                     | <u>611,313</u>                     | <u>913,736</u>                                     | <u>92,951</u>                        | <u>2,146</u>                                   |
| <u>2,013</u>                         | <u>611,313</u>                     | <u>913,736</u>                                     | <u>92,951</u>                        | <u>2,146</u>                                   |

See Notes to Financial Statements.

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|   | Special Revenue                                       |  |                               |  |
|---|---|--|-------------------------------|--|
|   | Litter<br>Control and<br>Beautification<br><b>008</b> | Local<br>Government<br>Corrections<br><b>080</b> | Lodgers'<br>Tax<br><b>013</b> | Lodgers'<br>Tax<br>Promotional<br><b>012</b> |
| <i>Assets</i>                                 |   |  |                               |  |
| Cash and cash equivalents                     | -   | -  | 282,070                       | -  |
| Restricted cash                               |   |  |                               |  |
| Receivables:                                  |   |  |                               |  |
| Property taxes                                | -   | -  | -                             | -  |
| Other receivables                             | -   | -  | 31,383                        | -  |
| Due from other funds                          | -   | -  | -                             | -  |
| <b>Total assets</b>                           | <b>-</b>  | <b>-</b>   | <b>313,453</b>                | <b>-</b>                                     |
| <i>Liabilities</i>                            |   |  |                               |  |
| Accounts payable                              | -   | 31,773   | -                             | 23,437                                       |
| Bank overdraft                                | 4,350   | 32,899   | -                             | 170,944                                      |
| Accrued payroll expenses                      | -   | -  | -                             | -  |
| Accrued sales tax payable                     | -   | -  | -                             | -  |
| Due to other funds                            | -   | -  | -                             | -  |
| <b>Total liabilities</b>                      | <b>4,350</b>  | <b>64,672</b>                                    | <b>-</b>                      | <b>194,381</b>                               |
| <i>Deferred Inflows - Property Taxes</i>      |   |  |                               |  |
| Unearned revenue - property taxes             | -   | -  | -                             | -  |
| <b>Total Deferred Inflows</b>                 | <b>-</b>  | <b>-</b>   | <b>-</b>                      | <b>-</b>                                     |
| <b>Total Liabilities and Deferred Inflows</b> | <b>4,350</b>  | <b>64,672</b>                                    | <b>-</b>                      | <b>194,381</b>                               |
| <i>Fund balances</i>                          |   |  |                               |  |
| Nonspendable                                  | -   | -  | -                             | -  |
| Spendable                                     |   |  |                               |  |
| Restricted                                    | -   | -  | 313,453                       | -  |
| Committed                                     | -   | -  | -                             | -  |
| Assigned                                      | -   | -  | -                             | -  |
| Unassigned                                    | (4,350)   | (64,672)   | -                             | (194,381)                                    |
| <b>Total fund balances</b>                    | <b>(4,350)</b>  | <b>(64,672)</b>                                  | <b>313,453</b>                | <b>(194,381)</b>                             |
| <b>Total liabilities and fund balances</b>    | <b>-</b>  | <b>-</b>   | <b>313,453</b>                | <b>-</b>                                     |

Special Revenue

| Senior<br>Companion<br>Program<br><b>004</b> | Senior<br>Employment<br>Program<br><b>029</b> | Special<br>Library<br>Donation<br><b>020</b> | State and Local<br>Narcotics<br>Assistance<br>Control<br><b>014</b> | Total<br>Special<br>Revenue<br>Funds |
|--|---|--|---|--------------------------------------|
| -  | -   | 14,845                                       | -   | 2,030,625                            |
| -  | -   | -  | -   | 22,882                               |
| 14,766                                       | 4,905   | -  | -   | 84,940                               |
| -  | -   | -  | -   | 216,152                              |
| <u>14,766</u>                                | <u>4,905</u>                                  | <u>14,845</u>                                | <u>-</u>  | <u>2,354,599</u>                     |
| -  | -   | -  | -   | 55,210                               |
| 131,980                                      | 11,776  | -  | -   | 634,587                              |
| 1,160  | 1,215   | -  | -   | 11,294                               |
| -  | -   | -  | -   | -                                    |
| 4,600  | 3,000   | -  | -   | 11,600                               |
| <u>137,740</u>                               | <u>15,991</u>                                 | <u>-</u>                                     | <u>-</u>  | <u>712,691</u>                       |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | -                                    |
| <u>137,740</u>                               | <u>15,991</u>                                 | <u>-</u>                                     | <u>-</u>  | <u>712,691</u>                       |
| -  | -   | -  | -   | -                                    |
| -  | -   | 14,845                                       | -   | 2,156,039                            |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | -                                    |
| (122,974)                                    | (11,086)                                      | -  | -   | (514,131)                            |
| <u>(122,974)</u>                             | <u>(11,086)</u>                               | <u>14,845</u>                                | <u>-</u>  | <u>1,641,908</u>                     |
| <u>14,766</u>                                | <u>4,905</u>                                  | <u>14,845</u>                                | <u>-</u>  | <u>2,354,599</u>                     |

See Notes to Financial Statements.

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STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

|   | Debt Services                 |                     |                        |                                   |  |
|---|-------------------------------|---------------------|------------------------|-----------------------------------|--|
|   | GRT<br>Revenue<br>Bond<br>052 | NMFA<br>Loan<br>024 | NMFA<br>Reserve<br>016 | Total<br>Debt<br>Service<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
| <i>Assets</i>                                 |                               |                     |                        |                                   |  |
| Cash and cash equivalents                     | -                             | -                   | -                      | -                                 | 2,030,625                                  |
| Restricted cash                               | -                             | 134,768             | 64,582                 | 199,350                           | 199,350                                    |
| Receivables:                                  |                               |                     |                        |                                   |  |
| Property taxes                                | -                             | -                   | -                      | -                                 | 22,882                                     |
| Other receivables                             | -                             | -                   | -                      | -                                 | 84,940                                     |
| Due from other funds                          | -                             | -                   | -                      | -                                 | 216,152                                    |
| <i>Total assets</i>                           | <u>-</u>                      | <u>134,768</u>      | <u>64,582</u>          | <u>199,350</u>                    | <u>2,553,949</u>                           |
| <i>Liabilities</i>                            |                               |                     |                        |                                   |  |
| Accounts payable                              | -                             | -                   | -                      | -                                 | 55,210                                     |
| Bank overdraft                                | -                             | -                   | -                      | -                                 | 634,587                                    |
| Accrued payroll expenses                      | -                             | -                   | -                      | -                                 | 11,294                                     |
| Accrued sales tax payable                     | -                             | -                   | -                      | -                                 | -  |
| Due to other funds                            | -                             | -                   | -                      | -                                 | 11,600                                     |
| <i>Total liabilities</i>                      | <u>-</u>                      | <u>-</u>            | <u>-</u>               | <u>-</u>                          | <u>712,691</u>                             |
| <i>Deferred Inflows - Property Taxes</i>      |                               |                     |                        |                                   |  |
| Unearned revenue - property taxes             | -                             | -                   | -                      | -                                 | -  |
| <i>Total Deferred Inflows</i>                 | <u>-</u>                      | <u>-</u>            | <u>-</u>               | <u>-</u>                          | <u>-</u>                                   |
| <i>Total Liabilities and Deferred Inflows</i> | <u>-</u>                      | <u>-</u>            | <u>-</u>               | <u>-</u>                          | <u>712,691</u>                             |
| <i>Fund balances</i>                          |                               |                     |                        |                                   |  |
| Nonspendable                                  | -                             | -                   | -                      | -                                 | -  |
| Spendable                                     |                               |                     |                        |                                   |  |
| Restricted                                    | -                             | 134,768             | 64,582                 | 199,350                           | 2,355,389                                  |
| Committed                                     | -                             | -                   | -                      | -                                 | -  |
| Assigned                                      | -                             | -                   | -                      | -                                 | -  |
| Unassigned                                    | -                             | -                   | -                      | -                                 | (514,131)                                  |
| <i>Total fund balances</i>                    | <u>-</u>                      | <u>134,768</u>      | <u>64,582</u>          | <u>199,350</u>                    | <u>1,841,258</u>                           |
| <i>Total liabilities and fund balances</i>    | <u>-</u>                      | <u>134,768</u>      | <u>64,582</u>          | <u>199,350</u>                    | <u>2,553,949</u>                           |

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

|  | Special Revenue                             |  |  |                                  |
|--|---|--|--|----------------------------------|
|  | Cemetery<br>Perpetual<br>Care<br><b>091</b> | Cibola<br>Senior<br>Citizens<br><b>001</b> | Emergency<br>Medical<br>Services<br><b>015</b> | Fire<br>Protection<br><b>011</b> |
| <i>Revenues</i>  |   |  |  |                                  |
| Taxes:   |   |  |  |                                  |
| Property   | \$ -  | -  | -  | -                                |
| Gross Receipts   | -   | -  | -  | -                                |
| Other  | -   | -  | -  | -                                |
| Intergovernmental  |   |  |  |                                  |
| Federal operating grants   | -   | 144,687                                    | -  | -                                |
| Federal capital grants   | -   | -  | -  | -                                |
| State operating grants   | -   | 178,370                                    | 8,079  | 262,815                          |
| State capital grants   | -   | -  | -  | -                                |
| Charges for services   | -   | 20,725                                     | -  | -                                |
| Licenses and fees  | -   | -  | -  | -                                |
| Investment income  | -   | -  | -  | -                                |
| Fines, forfeitures, and penalties                                    | -   | -  | -  | -                                |
| Miscellaneous  | 14,300                                      | 32,400                                     | -  | -                                |
| <i>Total revenues</i>  | <u>14,300</u>                               | <u>376,182</u>                             | <u>8,079</u>                                   | <u>262,815</u>                   |
| <i>Expenditures:</i>   |   |  |  |                                  |
| Current:   |   |  |  |                                  |
| General government   | -   | -  | -  | -                                |
| Public safety  | -   | -  | 9,287  | 155,498                          |
| Public works   | -   | -  | -  | -                                |
| Culture and recreation   | -   | -  | -  | -                                |
| Health and welfare   | 5,834                                       | 470,556                                    | -  | -                                |
| Capital outlay   | -   | -  | -  | -                                |
| Debt service   |   |  |  |                                  |
| Principal  | -   | -  | -  | -                                |
| Interest   | -   | -  | -  | -                                |
| <i>Total expenditures</i>  | <u>5,834</u>                                | <u>470,556</u>                             | <u>9,287</u>                                   | <u>155,498</u>                   |
| <i>Excess (deficiency) of revenues<br/>over (under) expenditures</i> | <u>8,466</u>                                | <u>(94,374)</u>                            | <u>(1,208)</u>                                 | <u>107,317</u>                   |
| Other Financing Sources (Uses)                                       |   |  |  |                                  |
| Proceeds from loans  | -   | -  | -  | -                                |
| Transfers, in  | -   | 120,000                                    | 1,500  | -                                |
| Transfers, out   | -   | -  | -  | (54,743)                         |
| <i>Total other financing sources (uses)</i>                          | <u>-</u>                                    | <u>120,000</u>                             | <u>1,500</u>                                   | <u>(54,743)</u>                  |
| <i>Net change in fund balances</i>                                   | 8,466                                       | 25,626                                     | 292  | 52,574                           |
| <i>Fund balances - beginning of year</i>                             | 127,980                                     | (39,252)                                   | 257  | 18,026                           |
| <i>Restatement</i>   | -   | 6,805                                      | -  | -                                |
| <i>Fund balances - beginning of year, as restated</i>                | <u>127,980</u>                              | <u>(32,447)</u>                            | <u>257</u>                                     | <u>18,026</u>                    |
| <i>Fund balances, end of year</i>                                    | <u>\$ 136,446</u>                           | <u>(6,821)</u>                             | <u>549</u>                                     | <u>70,600</u>                    |

See Notes to Financial Statements.

Special Revenue

| Foster<br>Grandparents<br><b>007</b> | Gasoline<br>Road Tax<br><b>005</b> | GRT Street<br>& Parks<br>Improvement<br><b>082</b> | Juvenile<br>Recreation<br><b>019</b> | Law<br>Enforcement<br>Protection<br><b>017</b> |
|--------------------------------------|------------------------------------|--|--------------------------------------|--|
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | 138,398                            | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| 63,653                               | -                                  | -  | -                                    | 30,200   |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| <u>63,653</u>                        | <u>138,398</u>                     | <u>-</u>   | <u>-</u>                             | <u>30,200</u>                                  |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | 41,759   |
| -                                    | -                                  | -  | -                                    | -  |
| 67,393                               | -                                  | -  | -                                    | -  |
| -                                    | 136,809                            | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| <u>67,393</u>                        | <u>136,809</u>                     | <u>-</u>   | <u>-</u>                             | <u>41,759</u>                                  |
| <u>(3,740)</u>                       | <u>1,589</u>                       | <u>-</u>   | <u>-</u>                             | <u>(11,559)</u>                                |
| -                                    | -                                  | -  | -                                    | -  |
| -                                    | -                                  | -  | -                                    | -  |
| <u>(61,640)</u>                      | <u>-</u>                           | <u>(600,000)</u>                                   | <u>-</u>                             | <u>-</u>                                       |
| <u>(61,640)</u>                      | <u>-</u>                           | <u>(600,000)</u>                                   | <u>-</u>                             | <u>-</u>                                       |
| (65,380)                             | 1,589                              | (600,000)  | -                                    | (11,559)                                       |
| (43,956)                             | 609,724                            | 1,513,736  | 92,951                               | 13,705   |
| (511)                                | -                                  | -  | -                                    | -  |
| <u>(44,467)</u>                      | <u>609,724</u>                     | <u>1,513,736</u>                                   | <u>92,951</u>                        | <u>13,705</u>                                  |
| <u>(109,847)</u>                     | <u>611,313</u>                     | <u>913,736</u>                                     | <u>92,951</u>                        | <u>2,146</u>                                   |

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

|  | Special Revenue                                       |  |                               |  |
|--|---|--|-------------------------------|--|
|  | Litter<br>Control and<br>Beautification<br><b>008</b> | Local<br>Government<br>Corrections<br><b>080</b> | Lodgers'<br>Tax<br><b>013</b> | Lodgers'<br>Tax<br>Promotional<br><b>012</b> |
| <i>Revenues</i>  |   |  |                               |  |
| Taxes:   |   |  |                               |  |
| Property   | -   | -  | -                             | -  |
| Gross Receipts   | -   | -  | -                             | -  |
| Other  | -   | -  | 393,165                       | -  |
| Intergovernmental  |   |  |                               |  |
| Federal operating grants   | -   | -  | -                             | -  |
| Federal capital grants   | -   | -  | -                             | -  |
| State operating grants   | 4,269   | -  | -                             | -  |
| State capital grants   | -   | -  | -                             | -  |
| Charges for services   | -   | 35,461   | -                             | -  |
| Licenses and fees  | -   | -  | -                             | -  |
| Investment income  | -   | -  | -                             | -  |
| Fines, forfeitures, and penalties                                    | -   | -  | -                             | -  |
| Miscellaneous  | -   | -  | -                             | -  |
| <i>Total revenues</i>  | <u>4,269</u>  | <u>35,461</u>                                    | <u>393,165</u>                | <u>-</u>                                     |
| <i>Expenditures:</i>   |   |  |                               |  |
| Current:   |   |  |                               |  |
| General government   | -   | -  | 79,252                        | -  |
| Public safety  | -   | 315,765  | -                             | -  |
| Public works   | -   | -  | -                             | -  |
| Culture and recreation   | -   | -  | -                             | 321,260                                      |
| Health and welfare   | 1,767   | -  | -                             | -  |
| Capital outlay   | -   | -  | -                             | -  |
| Debt service   |   |  |                               |  |
| Principal  | -   | -  | -                             | -  |
| Interest   | -   | -  | -                             | -  |
| <i>Total expenditures</i>  | <u>1,767</u>  | <u>315,765</u>                                   | <u>79,252</u>                 | <u>321,260</u>                               |
| <i>Excess (deficiency) of revenues<br/>over (under) expenditures</i> | <u>2,502</u>  | <u>(280,304)</u>                                 | <u>313,913</u>                | <u>(321,260)</u>                             |
| Other Financing Sources (Uses)                                       |   |  |                               |  |
| Proceeds from loans  | -   | -  | -                             | -  |
| Transfers, in  | -   | 215,000  | -                             | 280,873                                      |
| Transfers, out   | (4,269)   | -  | (280,873)                     | -  |
| <i>Total other financing sources (uses)</i>                          | <u>(4,269)</u>  | <u>215,000</u>                                   | <u>(280,873)</u>              | <u>280,873</u>                               |
| <i>Net change in fund balances</i>                                   | (1,767)   | (65,304)   | 33,040                        | (40,387)                                     |
| <i>Fund balances - beginning, as previously stated</i>               | (2,583)   | 632  | 280,413                       | (153,994)                                    |
| <i>Restatement (Note 21)</i>   | -   | -  | -                             | -  |
| <i>Fund balances - beginning of year, as restated</i>                | <u>(2,583)</u>  | <u>632</u>                                       | <u>280,413</u>                | <u>(153,994)</u>                             |
| <i>Fund balances, end of year</i>                                    | <u>(4,350)</u>  | <u>(64,672)</u>                                  | <u>313,453</u>                | <u>(194,381)</u>                             |

See Notes to Financial Statements.



Special Revenue

| Senior<br>Companion<br>Program<br><b>004</b> | Senior<br>Employment<br>Program<br><b>029</b> | Special<br>Library<br>Donation<br><b>020</b> | State and Local<br>Narcotics<br>Assistance<br>Control<br><b>014</b> | Total<br>Special<br>Revenue<br>Funds |
|--|---|--|---|--------------------------------------|
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | 531,563                              |
| -  | -   | -  | -   | 144,687                              |
| -  | -   | -  | -   | -                                    |
| 88,427                                       | 30,759  | -  | -   | 666,572                              |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | 56,186                               |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | -                                    |
| -  | -   | 732  | -   | 47,432                               |
| 88,427                                       | 30,759  | 732  | -   | 1,446,440                            |
| -  | -   | -  | -   | 79,252                               |
| -  | -   | -  | -   | 522,309                              |
| -  | -   | -  | -   | -                                    |
| -  | -   | 6,248  | -   | 327,508                              |
| 82,100                                       | 26,216  | -  | -   | 653,866                              |
| -  | -   | -  | -   | 136,809                              |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | -                                    |
| 82,100                                       | 26,216  | 6,248  | -   | 1,719,744                            |
| 6,327  | 4,543   | (5,516)                                      | -   | (273,304)                            |
| -  | -   | -  | -   | -                                    |
| -  | -   | -  | -   | 617,373                              |
| (73,661)                                     | -   | -  | -   | (1,075,186)                          |
| (73,661)                                     | -   | -  | -   | (457,813)                            |
| (67,334)                                     | 4,543   | (5,516)                                      | -   | (731,117)                            |
| (55,064)                                     | (15,884)                                      | 20,361                                       | -   | 2,367,052                            |
| (576)  | 255   | -  | -   | 5,973                                |
| (55,640)                                     | (15,629)                                      | 20,361                                       | -   | 2,373,025                            |
| (122,974)                                    | (11,086)                                      | 14,845                                       | -   | 1,641,908                            |

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STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

|  | Debt Service                  |                     |                        | Total<br>Debt<br>Service<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------------|---------------------|------------------------|-----------------------------------|--|
|  | GRT<br>Revenue<br>Bond<br>052 | NMFA<br>Loan<br>024 | NMFA<br>Reserve<br>016 |                                   |  |
| <i>Revenues</i>  |                               |                     |                        |                                   |  |
| Taxes:   |                               |                     |                        |                                   |  |
| Property   | -                             | -                   | -                      | -                                 | -  |
| Gross Receipts   | -                             | -                   | -                      | -                                 | -  |
| Other  | -                             | -                   | -                      | -                                 | 531,563                                    |
| Intergovernmental  |                               |                     |                        |                                   |  |
| Federal operating grants   | -                             | -                   | -                      | -                                 | 144,687                                    |
| Federal capital grants   | -                             | -                   | -                      | -                                 | -  |
| State operating grants   | -                             | -                   | -                      | -                                 | 666,572                                    |
| State capital grants   | -                             | -                   | -                      | -                                 | -  |
| Charges for services   | -                             | -                   | -                      | -                                 | 56,186                                     |
| Licenses and fees  | -                             | -                   | -                      | -                                 | -  |
| Investment income  | -                             | 2,069               | 846                    | 2,915                             | 2,915                                      |
| Fines, forfeitures, and penalties                                    | -                             | -                   | -                      | -                                 | -  |
| Miscellaneous  | -                             | -                   | -                      | -                                 | 47,432                                     |
| <i>Total revenues</i>  | -                             | 2,069               | 846                    | 2,915                             | 1,449,355                                  |
| <i>Expenditures:</i>   |                               |                     |                        |                                   |  |
| Current:   |                               |                     |                        |                                   |  |
| General government   | -                             | -                   | -                      | -                                 | 79,252                                     |
| Public safety  | -                             | -                   | -                      | -                                 | 522,309                                    |
| Public works   | -                             | -                   | -                      | -                                 | -  |
| Culture and recreation   | -                             | -                   | -                      | -                                 | 327,508                                    |
| Health and welfare   | -                             | -                   | -                      | -                                 | 653,866                                    |
| Capital outlay   | -                             | -                   | -                      | -                                 | 136,809                                    |
| Debt service   |                               |                     |                        |                                   | -  |
| Principal  | -                             | 113,802             | -                      | 113,802                           | 113,802                                    |
| Interest   | -                             | 7,816               | -                      | 7,816                             | 7,816                                      |
| <i>Total expenditures</i>  | -                             | 121,618             | -                      | 121,618                           | 1,841,362                                  |
| <i>Excess (deficiency) of revenues<br/>over (under) expenditures</i> | -                             | (119,549)           | 846                    | (118,703)                         | (392,007)                                  |
| Other Financing Sources (Uses)                                       |                               |                     |                        |                                   |  |
| Proceeds from loans  | -                             | -                   | -                      | -                                 | -  |
| Transfers, in  | -                             | 119,330             | -                      | 119,330                           | 736,703                                    |
| Transfers, out   | (302,280)                     | -                   | (20,646)               | (322,926)                         | (1,398,112)                                |
| <i>Total other financing sources (uses)</i>                          | (302,280)                     | 119,330             | (20,646)               | (203,596)                         | (661,409)                                  |
| <i>Net change in fund balances</i>                                   | (302,280)                     | (219)               | (19,800)               | (322,299)                         | (1,053,416)                                |
| <i>Fund balances - beginning of year</i>                             | 302,280                       | 134,987             | 84,382                 | 521,649                           | 2,888,701                                  |
| <i>Restatement</i>   | -                             | -                   | -                      | -                                 | 5,973                                      |
| <i>Fund balances - beginning of year, as restated</i>                | 302,280                       | 134,987             | 84,382                 | 521,649                           | 2,894,674                                  |
| <i>Fund balances, end of year</i>                                    | -                             | 134,768             | 64,582                 | 199,350                           | 1,841,258                                  |

See Notes to Financial Statements.

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2018

|  | Business Type Activities - Enterprise Funds |                                    |
|--|---|------------------------------------|
|  | Airport<br>021                              | Total Nonmajor<br>Enterprise Funds |
| <b>ASSETS</b>                          |   |                                    |
| <b>Current assets</b>                  |   |                                    |
| Cash, investments and cash equivalents | \$ 30,939                                   | 30,939                             |
| Accounts receivable - other            | 16,536                                      | 16,536                             |
| <b>Total current assets</b>            | <b>47,475</b>                               | <b>47,475</b>                      |
| <b>Noncurrent assets</b>               |   |                                    |
| Capital assets                         | 4,335,752                                   | 4,335,752                          |
| Less: Accumulated depreciation         | (12,044)                                    | (12,044)                           |
| <b>Total noncurrent assets</b>         | <b>4,323,708</b>                            | <b>4,323,708</b>                   |
| <b>Total assets</b>                    | <b>4,371,183</b>                            | <b>4,371,183</b>                   |
| <b>Deferred Outflows</b>               |   |                                    |
| Pension related                        | 22,797                                      | 22,797                             |
| <b>Total deferred outflows</b>         |   |                                    |
| <b>LIABILITIES AND NET POSITION</b>    |   |                                    |
| <b>Current liabilities</b>             |   |                                    |
| Accrued liabilities                    | 2,095                                       | 2,095                              |
| <b>Total current liabilities</b>       | <b>2,095</b>                                | <b>2,095</b>                       |
| <b>Noncurrent liabilities</b>          |   |                                    |
| Net pension liability                  | 79,624                                      | 79,624                             |
| <b>Total noncurrent liabilities</b>    | <b>79,624</b>                               | <b>79,624</b>                      |
| <b>Total liabilities</b>               | <b>81,719</b>                               | <b>81,719</b>                      |
| <b>Deferred Inflows</b>                |   |                                    |
| Pension related                        | 4,901                                       | 4,901                              |
|  | 4,901                                       | 4,901                              |
| <b>Net position</b>                    |   |                                    |
| Net investment in capital assets       | 4,323,708                                   | 4,323,708                          |
| Unrestricted                           | (16,348)                                    | (16,348)                           |
| <b>Total net position</b>              | <b>\$ 4,307,360</b>                         | <b>4,307,360</b>                   |

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

|   | Business Type Activities - Enterprise Funds |                                    |
|---|---|------------------------------------|
|   | Airport<br>021                              | Total Nonmajor<br>Enterprise Funds |
| <i>Operating Revenues</i>                               |   |                                    |
| Charges for services                                    | \$ -  | -                                  |
| <i>Total revenues</i>                                   | -   | -                                  |
| <i>Operating Expenses</i>                               |   |                                    |
| General and administrative                              | 227,695                                     | 227,695                            |
| Depreciation  | 12,044                                      | 12,044                             |
| Utilities   | 5,282                                       | 5,282                              |
| <i>Total operating expenses</i>                         | 245,021                                     | 245,021                            |
| <i>Operating income (loss)</i>                          | (245,021)                                   | (245,021)                          |
| <i>Nonoperating revenues (expenses)</i>                 |   |                                    |
| Investment income                                       | -   | -                                  |
| Miscellaneous income                                    | 107,426                                     | 107,426                            |
| <i>Total non-operating revenues (expenses)</i>          | 107,426                                     | 107,426                            |
| <i>Income (loss) before contributions and transfers</i> | (137,595)                                   | (137,595)                          |
| Transfers in  | 4,433,752                                   | 4,433,752                          |
| Transfers out   | -   | -                                  |
| <i>Change in net position</i>                           | 4,296,157                                   | 4,296,157                          |
| Net position - beginning, as previously stated          | 11,474                                      | 11,474                             |
| Restatement (Noe 21)                                    | (271)                                       | (271)                              |
| Net position - beginning, as restated                   | 11,203                                      | 11,203                             |
| <i>Net position - end of year</i>                       | \$ 4,307,360                                | 4,307,360                          |

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended June 30, 2018**

|  | Business Type Activities - Enterprise Funds |                                    |
|--|---|------------------------------------|
|  | Airport<br><b>021</b>                       | Total Nonmajor<br>Enterprise Funds |
| <i>Cash flows from operating activities</i>  |   |                                    |
| Cash received from user charges  | \$ 73,905                                   | 73,905                             |
| Cash payments to suppliers for goods and services  | (249,901)                                   | (249,901)                          |
| <i>Net cash (used) by operating activities</i>   | <u>(175,996)</u>                            | <u>(175,996)</u>                   |
| <i>Cash flows from noncapital financing activities</i>   |   |                                    |
| Miscellaneous income   | 107,426                                     | 107,426                            |
| Transfers  | 4,433,752                                   | 4,433,752                          |
| <i>Net cash provided by noncapital financing activities</i>  | <u>4,541,178</u>                            | <u>4,541,178</u>                   |
| <i>Cash flows from Capital and Related Financing Activities</i>                                      |   |                                    |
| Acquisition of capital assets  | <u>(4,335,752)</u>                          | <u>(4,335,752)</u>                 |
| <i>Net cash provided (used) by capital and related financing activities</i>                          | <u>(4,335,752)</u>                          | <u>(4,335,752)</u>                 |
| <i>Net (decrease) increase in cash and cash equivalents</i>  | <u>29,430</u>                               | <u>29,430</u>                      |
| Cash and cash equivalents - beginning of year  | <u>1,509</u>                                | <u>1,509</u>                       |
| Cash and cash equivalents - end of year  | <u>\$ 30,939</u>                            | <u>30,939</u>                      |
| <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i> |   |                                    |
| Operating income (loss)  | \$ (245,021)                                | (245,021)                          |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities        |   |                                    |
| <i>Depreciation</i>  | 12,044                                      | 12,044                             |
| Changes in assets and liabilities  |   |                                    |
| Receivables  | 20,716                                      | 20,716                             |
| Deferred outflows  | (4,880)                                     | (4,880)                            |
| Accrued liabilities  | 250   | 250                                |
| Net pension liability  | 36,423                                      | 36,423                             |
| Deferred inflows   | <u>4,472</u>                                | <u>4,472</u>                       |
| <i>Net cash provided (used) by operating activities</i>  | <u>\$ (175,996)</u>                         | <u>(175,996)</u>                   |

## **SUPPORTING SCHEDULES**

STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
For the Year Ended June 30, 2018

|  | Bank of<br>New Mexico | Wells<br>Fargo   | New Mexico<br>Finance Authority | New Mexico<br>State Treasurer | Totals               |
|--|-----------------------|------------------|---------------------------------|-------------------------------|----------------------|
| <b>Deposits</b>                                    |                       |                  |                                 |                               |                      |
| General (Operating)                                | \$ 2,013,323          | -                | -                               | -                             | 2,013,323            |
| Utility Billing                                    | -                     | 2,387,574        | -                               | -                             | 2,387,574            |
| WF #2738   | -                     | 655,157          | -                               | -                             | 655,157              |
| WF Payroll   | -                     | 141,957          | -                               | -                             | 141,957              |
| General Government Improvement Fund                | -                     | 626,043          | -                               | -                             | 626,043              |
| Restricted debt reserves                           | -                     | -                | 199,350                         | -                             | 199,350              |
| Certificates of Deposit                            | -                     | 749,754          | -                               | -                             | 749,754              |
| Total on deposit                                   | <u>2,013,323</u>      | <u>4,560,485</u> | <u>199,350</u>                  | <u>-</u>                      | <u>6,773,158</u>     |
| Outstanding items                                  | (677,726)             | (2,582)          | -                               | -                             | (680,308)            |
| Other adjustments                                  | (140,369)             | 140,369          | -                               | -                             | -                    |
| <b>Book balance</b>                                | <u>\$ 1,195,228</u>   | <u>4,698,272</u> | <u>199,350</u>                  | <u>-</u>                      | <u>6,092,850</u>     |
| <b>Investments</b>                                 |                       |                  |                                 |                               |                      |
| Local Government Investment Pool                   | <u>\$ -</u>           | <u>-</u>         | <u>-</u>                        | <u>6,027,083</u>              | <u>6,027,083</u>     |
| Petty Cash   |                       |                  |                                 | 5,166                         | <u>\$ 12,125,099</u> |
| Total cash and cash equivalents governmental funds |                       |                  |                                 |                               | \$ 17,305,607        |
| Total restricted cash and cash equivalents         |                       |                  |                                 |                               | 199,350              |
| Total cash and cash equivalents enterprise funds   |                       |                  |                                 |                               | 30,939               |
| Total agency funds cash and cash equivalents       |                       |                  |                                 |                               | 46,171               |
| Less bank overdraft                                |                       |                  |                                 |                               | <u>(5,456,968)</u>   |
| Total cash, cash equivalents and investments       |                       |                  |                                 |                               | <u>\$ 12,125,099</u> |



STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF PLEDGED COLLATERAL  
For the Year Ended June 30, 2018

| <u>Name of Depository</u> | <u>Description</u>             | <u>Maturity</u> | <u>CUSIP or Security ID Number</u> | <u>Fair Market Value</u> | <u>Name and Location of Safe Keeper</u> |
|---------------------------|--------------------------------|-----------------|------------------------------------|--------------------------|---|
| Wells Fargo Bank          | FMAC FGPC 3.000%               | 10/1/2035       | 3128P8BV2                          | \$ 141,473               | Bank of New York Mellon                 |
| Wells Fargo Bank          | FNMA FNMS 3.500%               | 6/1/2047        | 3138WK4P7                          | 1,390,427                | Bank of New York Mellon                 |
| Wells Fargo Bank          | FNMA FNMS 3.000%               | 3/1/2043        | 3138WMXJ5                          | 29,265                   | Bank of New York Mellon                 |
| Wells Fargo Bank          | FNMA FNMS 2.500%               | 9/1/2031        | 31418CBH6                          | 531,409                  | Bank of New York Mellon                 |
|                           |                                |                 |                                    | <u>2,092,574</u>         |   |
| Bank of New Mexico        | SANTA FE CNTY NM BQ NONC       | 7/1/2019        | 801889LR5                          | 770,685                  | The Independent Bankers Bank            |
| Bank of New Mexico        | SOUTHERN SANDOVAL NM FLOOD BQ  | 8/1/2023        | 843789EY0                          | 204,416                  | The Independent Bankers Bank            |
| Bank of New Mexico        | COWLITZ CO WA PUBLIC UTIL DIST | 9/1/2018        | 223777CH4                          | 503,100                  | The Independent Bankers Bank            |
| Bank of New Mexico        | DAVENPORT IA CSD BQ            | 6/1/2019        | 23841QAE7                          | 506,465                  | The Independent Bankers Bank            |
| Bank of New Mexico        | DOVER TWP PA SWR AUTH BQ CALL  | 5/1/2020        | 260480HZ4                          | 441,179                  | The Independent Bankers Bank            |
| Bank of New Mexico        | JOLIET IL WTRWKS & SEWAGE BQ   | 1/1/2020        | 479790JU2                          | 505,120                  | The Independent Bankers Bank            |
| Bank of New Mexico        | NEW MEXICO ST SEVERANCE TAX    | 7/1/2019        | 647310K26                          | 310,311                  | The Independent Bankers Bank            |
| Bank of New Mexico        | NEW MEXICO ST SEVERANCE TAX    | 7/1/2019        | 647310K26                          | 517,185                  | The Independent Bankers Bank            |
| Bank of New Mexico        | TAOS NM GROSS RCPTS BQ CALL    | 6/1/2023        | 87601RAL4                          | 300,522                  | The Independent Bankers Bank            |
|                           |                                |                 |                                    | <u>4,058,983</u>         |   |
|                           |                                |                 |                                    | <u>6,151,557</u>         |   |
| Total Collateral Pledged  |                                |                 |                                    | \$ <u>6,151,557</u>      |   |

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**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2018**

|                                 | Balance<br><u>June 30, 2017</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br><u>June 30, 2018</u> |
|---------------------------------|---------------------------------|------------------|------------------|---------------------------------|
| <i>Appearance Bond Fund</i>     |                                 |                  |                  |                                 |
| Assets                          |                                 |                  |                  |                                 |
| Cash and cash equivalents       | \$ 25,894                       | 429,253          | 409,910          | 45,237                          |
| <i>Total assets</i>             | <u>\$ 25,894</u>                | <u>429,253</u>   | <u>409,910</u>   | <u>45,237</u>                   |
| Liabilities                     |                                 |                  |                  |                                 |
| Deposits held and due to others | \$ 25,894                       | 429,253          | 409,910          | 45,237                          |
| <i>Total liabilities</i>        | <u>\$ 25,894</u>                | <u>429,253</u>   | <u>409,910</u>   | <u>45,237</u>                   |
| <i>Senior Citizens</i>          |                                 |                  |                  |                                 |
| Assets                          |                                 |                  |                  |                                 |
| Cash and cash equivalents       | \$ 934                          | -                | -                | 934                             |
| <i>Total assets</i>             | <u>\$ 934</u>                   | <u>-</u>         | <u>-</u>         | <u>934</u>                      |
| Liabilities                     |                                 |                  |                  |                                 |
| Deposits held and due to others | \$ 934                          | -                | -                | 934                             |
| <i>Total liabilities</i>        | <u>\$ 934</u>                   | <u>-</u>         | <u>-</u>         | <u>934</u>                      |
| <i>Total Agency Funds</i>       |                                 |                  |                  |                                 |
| Assets                          |                                 |                  |                  |                                 |
| Cash and cash equivalents       | \$ 26,828                       | 429,253          | 409,910          | 46,171                          |
| <i>Total assets</i>             | <u>\$ 26,828</u>                | <u>429,253</u>   | <u>409,910</u>   | <u>46,171</u>                   |
| Liabilities                     |                                 |                  |                  |                                 |
| Deposits held and due to others | \$ 26,828                       | 429,253          | 409,910          | 46,171                          |
| <i>Total liabilities</i>        | <u>\$ 26,828</u>                | <u>429,253</u>   | <u>409,910</u>   | <u>46,171</u>                   |

**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF JOINT POWERS AGREEMENTS AND  
MEMORANDUMS OF UNDERSTANDING  
June 30, 2018**

| Participants                                       | Responsible Party | Description   |
|--|-------------------|---|
| City of Grants and Cibola County                   | Both              | To establish the Cibola Regional Park District Authority to assist in the operation of the Enchanted Skies Park                                       |
| City of Grants, Cibola County and Village of Milan | All               | To establish the responsibilities of all parties and the procedures for the reimbursement of administrative and capital outlay costs for the Library. |
| City of Grants and Cibola County                   | Both              | To establish a single Animal Control Department   |
| City of Grants, Cibola County and Village of Milan | All               | To establish the responsibilities of all parties and the procedures for the reimbursement of senior citizen services                                  |
| City of Grants, Cibola County and Village of Milan | All               | To establish the responsibilities of all parties and the procedures for the operation of a Vector Control Program                                     |
| City of Grants and Cibola County                   | Both              | To establish the responsibilities of all parties and the procedures for the housing of inmates  |
| City of Grants, Cibola County and Village of Milan | All               | To establish and operate a municipal transit system (Cibola Transit Authority - CTA)  |

| <u>Begin Date</u> | <u>End Date</u> | <u>Estimated Amount of Project</u> | <u>Amount Contributed in Fiscal Year</u> | <u>Audit Responsibility</u> | <u>Fiscal Agent</u> | <u>Name of Govt Agency Report Rev &amp; Exp</u> |
|-------------------|-----------------|------------------------------------|--|-----------------------------|---------------------|---|
| 7/1/1997          | Indefinitely    | Unknown                            | Unknown                                  | None                        | None                | City of Grants                                  |
| 7/1/1998          | Indefinitely    | Unknown                            | Unknown                                  | City of Grants              | None                | City of Grants                                  |
| 12/4/1997         | Indefinitely    | Unknown                            | Unknown                                  | City of Grants              | None                | City of Grants                                  |
| 6/1/1982          | Indefinitely    | Unknown                            | Unknown                                  | City of Grants              | None                | City of Grants                                  |
| 7/17/1997         | Indefinitely    | Unknown                            | \$ 84,839                                | None                        | None                | Cibola County                                   |
| 4/30/2018         | Indefinitely    | \$71 per inmate                    | \$ 315,765                               | Cibola County               | None                | Cibola County                                   |
| 4/30/2009         | Indefinitely    | \$ 51,947                          | \$ 28,700                                | Village of Milan            | Village of Milan    | Village of Milan                                |

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## **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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**

Mr. Brian S. Colon,  
New Mexico State Auditor  
and  
The Mayor and City Council Members  
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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2019. Our report qualifies certain opinions on such financial statements because of the matter described in the "Basis for Qualified Opinion" paragraph on page 2.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2017-01, 207-02, 2017-03, and 2018-02 to be material weaknesses.

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. No significant deficiencies came to our attention.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque



## **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 2013-04, 2017-04, 2017-06 and 2018-01.

## **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 responses. 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.



Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
April 30, 2018

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**FEDERAL FINANCIAL ASSISTANCE**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Mr. Brian S. Colon  
New Mexico State Auditor  
And  
The Mayor and City Council Members  
City of Grants  
Grants, New Mexico

***Report on Compliance for Each Major Federal Program***

We have audited the City of Grant's (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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's 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* (CFR) 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

### ***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, 2018.

### ***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 an 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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



Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
April 30, 2019

**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

| <b>Federal Grantor/Pass-Through Grantor/Program Title</b>  | <b>Pass Through Entity #</b> | <b>Federal CFDA<br/>Number</b> | <b>Federal Expenditures</b> |
|--|------------------------------|--------------------------------|-----------------------------|
| U.S. Department of Health and Human Services   |                              |                                |                             |
| Passed through NM Economic Development District Non-Metro Area Agency on Aging:                        |                              |                                |                             |
| Special Programs for the Aging - Title III, Part C - Nutrition Services                                | 2017-18-60015                | 93.045                         | \$ 26,821                   |
| Special Programs for the Aging - Title III, Part C - Nutrition Services                                | 2017-18-60015                | 93.045                         | 13,683                      |
| Nutrition Services Incentive Program   | 2017-18-60015                | 93.053                         | 27,020                      |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 2017-18-60015                | 93.044                         | 27,068                      |
| Total U.S. Department of Health and Human Services   |                              |                                | 94,592                      |
| U.S. Department of Transportation  |                              |                                |                             |
| Airport Improvement Program  | 3-35-0020-016-2017           | 20.106                         | (A) 3,903,414               |
| Total U.S. Department of Transportation  |                              |                                | 3,903,414                   |
| Total Expenditures of Federal Awards   |                              |                                | \$ 3,998,006                |

(A) Major Program

*See Notes to the Schedule of Expenditures of Federal Awards.*

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the City. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

The City did not provide any federal awards to sub-recipients during the year.

**NOTE 2 – INDIRECT COST RATE**

The City has elected not to use the 10% de Minimis Indirect Cost Rate.

**CITY OF GRANTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2018**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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***Financial Statements***

|  |                  |
|--|------------------|
| <u>Type of Auditor’s report issued:</u>  | <u>Qualified</u> |
| Internal control over financial reporting:<br>Material Weakness reported?      | Yes              |
| Significant deficiencies reported not<br>considered to be material weaknesses? | No               |
| Noncompliance material to financial statements noted?                          | No               |

***Federal Awards***

|   |             |
|---|-------------|
| Internal control over major programs:   |             |
| a. Material weaknesses reported?  | No          |
| b. Significant deficiencies reported not<br>considered to be material weaknesses?   | None        |
| c. Known questioned costs greater than \$25,000 for<br>a compliance requirement for a major program?  | No          |
| d. Known questioned costs greater than \$25,000 for<br>a program which is not audited as a major program?   | No          |
| e. Known or likely fraud affecting a federal award?   | No          |
| f. Significant instances of abuse relating to major programs?   | No          |
| g. Circumstances causing the auditor’s report on compliance<br>for each major program to be modified, unless otherwise<br>reported as an audit finding?   | No          |
| h. Instances where results of audit follow-up procedures<br>disclosed that the summary schedule of prior year audit<br>findings prepared by the auditee materially misrepresent<br>the status of any prior audit finding? | No          |
| Type of auditor’s report issued on compliance for<br>major programs   | Unmodified  |
| Any audit findings disclosed that are required to be reported<br>in accordance with Uniform Guidance?   | No          |
| Identification of major programs:<br>Airport Improvement Program  | CFDA 20.106 |
| Dollar threshold used to distinguish<br>Between type A and type B programs:   | \$750,000   |
| Auditee qualified as low-risk auditee?  | No          |



**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT**

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**2017-001 CASH NOT RECONCILED IN A TIMELY MANNER (Material Weakness)**

**CONDITION:** City cash accounts at 6/30/18 were not completely reconciled at the time the audit was issued.

The City has made progress with this finding. On a monthly basis the Finance Director is reconciling all of the items that clear the bank to the general ledger, but a final reconciliation still needs to be completed in a timely manner.

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

**CAUSE:** The former City Treasurer was not maintaining the cash accounts properly or in a timely manner. There were numerous cash accounts that were not being used but still included in the general ledger.

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

**MANAGEMENT RESPONSE:** The City has implemented a new accounting software and is currently in the process of establishing the beginning balances so that bank reconciliations can be updated.

**TIMELINE OF CORRECTIVE ACTION PLAN:** June 30, 2019

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

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

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

Progress has been made with this finding as a physical count was performed. The City is still in the process of reconciling the detail listing to the physical count performed.

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

**CAUSE:** The City has not reconciled the detail count to the capital assets records.

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

**MANAGEMENT RESPONSE:** Physical inventory was completed on 6/15/2018. Updating of the old assets versus new assets in accounting system is on-going. New accounting software has been implemented which will help us better manage fixed assets.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Management anticipates that the records will be compliant and up to date by September 30, 2019.

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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

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

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

The City has not made progress on this finding.

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

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

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

**MANAGEMENT RESPONSE:** The City has hired a consulting firm that will assist with the fiscal year 2019 year-end closing procedures. We are in process of establishing procedures to ensure that the financial close and reporting is done appropriately.

**TIMELINE OF CORRECTIVE ACTION PLAN:** We anticipate that this action will be implemented by September 30, 2019.

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

**2018-001 CONTROLS OVER CASH DISBURSMENTS (Finding that does not rise to the level of a significant deficiency)**

**CONDITION:** During our internal control testwork over cash disbursement we noted the following:

- In 1 transaction totaling \$131 out of 25 transactions tested, the purchase order was dated after the invoice.

**CRITERIA:** Per the City's finance policies and procedures (which comply with the New Mexico Procurement Code, Article 1, Sections 13-1-1 thru 13-1-199), the City is required to use a pre-numbered purchase order for all goods and services procured. The City's policies and procedures also state that all purchase orders must be approved by management before the purchase is made.

**EFFECT:** The City is not in compliance with state statutes or the City's internal control policies which could lead to misappropriation of assets through unauthorized purchases.

**CAUSE:** Lack of training of employees purchasing goods/services (all purchases must have a PO and must be approved by management prior to purchase and payment), and/or lax oversight of purchasing process.

**RECOMMENDATION:** We recommend retraining and re-emphasizing the requirement that all purchases must have an approved purchase order before goods and or services are acquired.

**MANAGEMENT RESPONSE:** The City will ensure that the City's Financial Policies and Procedures are adhered to by all staff and the requirement that purchase orders must be approved prior to actual purchase will be strictly followed.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Immediately

**RESPONSIBLE OFFICIAL:** City Manager

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

**2018-002 Prior Period Adjustment (Material Weakness)**

**CONDITION:** The City had incorrectly reported certain assets and liabilities in the fiscal year 2017 financial statements which resulted in a prior period adjustment in the current year. The following adjustment were made to the beginning net position:

|                                | Amount of<br>Error | Effect on Net<br>Position |
|--------------------------------|--------------------|---------------------------|
| Cash overstated                | \$ 188,347         | (188,347)                 |
| Accounts payable overstated    | 280,494            | 280,494                   |
| Accrued liabilities overstated | 487,514            | 487,514                   |
| Capital assets understated     | 1,400,954          | 1,400,954                 |
| Long term debt understated     | 1,400,954          | (1,400,954)               |
|                                | <hr/>              | <hr/>                     |
| Total                          |                    | <u>\$ 579,661</u>         |

**CRITERIA:** In accordance with generally accepted accounting principles, all revenue and expense transactions should be properly recorded and recognized.

**EFFECT:** The City's under recognized revenue resulted in a material misstatement in the financial statements.

**CAUSE:** In prior year the City erroneously recorded amounts in their financial statements.

**RECOMMENDATION:** We recommend that the City review all transactions prior to posting to ensure that they are valid. We recommend that the City reconcile their trial balance to the financial statements to ensure transactions are properly recorded.

**MANAGEMENT'S RESPONSE:** The City has implemented a new accounting software to ensure in the proper reporting of all transactions. The City has hired a consultant that is assisting the City with developing their financial close and reporting procedures.

**TIMELINE OF CORRECTIVE ACTION PLAN:** September 30, 2019

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

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**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

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None.

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**SECTION IV – OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,  
SECTION 12-6-5, NMSA 1978**

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

**CONDITION:** The audited financial statements were not submitted to the State auditor until April 30, 2019.

Progress has been made. The City was able to complete the audit 3 months earlier and has hired consultants to assist with the financial close and reporting for the fiscal years 2018 and 2019 audits.

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

**CAUSE** The City was without a City Treasurer from November 2, 2017 through January 29, 2018 and the prior year audit was not completed until August 21, 2018. The City had to complete the prior audit before it was able to start addressing issues identified in the prior audit and was able to start going through the FY 2019 financial records.

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

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

**MANAGEMENT RESPONSE:** The City has hired a consulting firm that will assist new controls and schedules to allow for FY19 audit to be completed on time. The City has also implemented a new accounting software to ensure that transactions are being properly recorded.

**TIMELINE OF CORRECTIVE ACTION PLAN:** September 30, 2019

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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

**CONDITION**

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

- Cibola Senior Citizens (001) - \$6,821
- Foster Grandparents (007) - \$109,847
- Litter Control and Beautification (008) - \$4,350
- Government Corrections (080) - \$64,672
- Lodgers Tax Promotion (012) - \$475,254
- Senior Companion (004) - \$49,313
- Senior Employment (029) - \$11,087
- Airport (021) - \$16,348

The City has not made progress on this finding.

**CRITERIA**

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

**EFFECT**

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

**CAUSE**

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

**RECOMMENDATION**

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

**MANAGEMENT RESPONSE:** The City has implemented a new accounting software. Also, the City has hired a consulting firm that will assist with transferring the appropriate beginning balances into the new software. Once all of the information is in the new software, transfers will be made to ensure that all negative fund balance issue are corrected

**TIMELINE OF CORRECTIVE ACTION PLAN:** September 30, 2019

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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

**CONDITION:** Actual expenditures exceeded budgeted expenditures during the year for the following funds:

- Lodger's Tax (013) - \$22,777
- Lodger's Tax Promotional (012) - \$13,260
- Law Enforcement Protection (017) - \$16,759
- Local Gov't Protection (080) - \$105,765
- Emergency Medical Services (015) - \$1,287

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

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

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

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

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

**TIMELINE OF CORRECTIVE ACTION PLAN:** September 30, 2019

**RESPONSIBLE OFFICIAL:** Finance Director



**CITY OF GRANTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2018**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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

2017-001 – Cash Not Reconciled in a Timely Manner (Material Weakness) – *Modified and Repeated*

2017-002 – Capital Assets (Material Weakness) – *Modified and Repeated*

2017-003 – Internal Controls over Financial Reporting (Material Weakness) – *Modified and Repeated*

2017-004 – Late Audit Report (Other Noncompliance) – *Modified and Repeated*

2017-005 – Capital Assets (Other Noncompliance) – *Resolved*

2017-006 – Deficit Fund Balance (Other Noncompliance) – *Modified and Repeated*

**CITY OF GRANTS  
EXIT CONFERENCE  
JUNE 30, 2018**

An exit conference was held on April 30, 2019 with the City of Grants. The overall results and related findings were discussed. The following individuals were present during that meeting:

Representing the City of Grants

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

Representing Pattillo, Brown & Hill, LLP

Chris Garner, CPA, Partner

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by Pattillo, Brown & Hill, LLP; however the financial statement are the responsibility of management.