

**STATE OF NEW MEXICO  
CITY OF GRANTS**

**AUDIT REPORT**

**JUNE 30, 2019**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS



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CITY OF GRANTS  
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JUNE 30, 2019**

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**STATE OF NEW MEXICO  
CITY OF GRANTS  
OFFICIAL ROSTER  
JUNE 30, 2019**

**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		Finance Director



## **FINANCIAL SECTION**





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## INDEPENDENT AUDITORS' REPORT

To Brian S. Colón,  
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, 2019, 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.

### **Opinions**

In our opinion, except for the effects of the capital assets ending balances, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, 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 on pages 53 to 55 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, the other schedules required by 2.2.2 NMAC as noted in the table of contents, are fairly stated, in all material respects, in related 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 December 16, 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  
December 16, 2019



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
June 30, 2019**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Assets</b>			
Current assets			
Cash, cash equivalents and investments	\$ 16,892,604	1,062,788	17,955,392
Cash, restricted	1,259,418	1,239,915	2,499,333
Receivables:			
Property taxes receivable	127,438	-	127,438
Other taxes receivable	1,123,653	-	1,123,653
Grants Receivable	462,878	-	462,878
Accounts receivable	-	542,451	542,451
Due from other funds	-	-	-
Prepays	-	-	-
Inventory	-	60,765	60,765
Total current assets	<u>19,865,991</u>	<u>2,905,919</u>	<u>22,771,910</u>
Noncurrent assets			
Capital assets	85,929,971	56,762,418	142,692,389
Less: accumulated depreciation	<u>(24,996,955)</u>	<u>(24,601,656)</u>	<u>(49,598,611)</u>
Total noncurrent assets	<u>60,933,016</u>	<u>32,160,762</u>	<u>93,093,778</u>
Total Assets	<u>80,799,007</u>	<u>35,066,681</u>	<u>115,865,688</u>
<b>Deferred Outflows</b>			
Pension Related	<u>2,213,117</u>	<u>319,750</u>	<u>2,532,867</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
June 30, 2019**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Liabilities</b>			
Current liabilities			
Accounts payable	1,327,492	328,460	1,655,952
Bank overdraft	6,014,219	85,780	6,099,999
Accrued payroll expenses	213,958	24,789	238,747
Accrued compensated absences	257,979	68,034	326,013
Meter and other deposits	-	257,085	257,085
Current portion of bonds and notes payable	47,295	147,064	194,359
Total current liabilities	<u>7,860,943</u>	<u>911,212</u>	<u>8,772,155</u>
Noncurrent liabilities			
Accrued compensated absences	65,604	17,300	82,904
Bonds and notes payable	523,340	18,515,161	19,038,501
Net pension liability	7,806,801	1,052,422	8,859,223
Net OPEB Liability	170,941	-	170,941
Total noncurrent liabilities	<u>8,566,686</u>	<u>19,584,883</u>	<u>28,151,569</u>
Total liabilities	<u>16,427,629</u>	<u>20,496,095</u>	<u>36,923,724</u>
<b>Deferred Inflows</b>			
Pension Related	876,885	33,683	910,568
Total Deferred Inflows	<u>876,885</u>	<u>33,683</u>	<u>910,568</u>
<b>Net Position</b>			
Net investment in capital assets	60,362,381	32,160,762	92,523,143
Restricted for			
Debt service	438,649	-	438,649
Capital projects	-	-	-
Other purposes - special revenue	1,183,586	-	1,183,586
Subsequent years expenditures	861,680	-	861,680
Unrestricted	2,861,314	(17,304,109)	(14,442,795)
Total Net Position	<u>\$ 65,707,610</u>	<u>14,856,653</u>	<u>80,564,263</u>

STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019

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	\$ 3,745,537	1,135,333	684,387	-
Public safety	4,351,348			-
Public works	1,678,318		450,741	1,116,475
Culture and recreation	2,177,189			-
Health and welfare	787,332	-		-
Interest on long-term debt	4,156	-	-	-
<i>Total government Activities</i>	<u>12,743,880</u>	<u>1,135,333</u>	<u>1,135,128</u>	<u>1,116,475</u>
<b>Business-type Activities</b>				
Golf Course	853,420	298,910	-	-
Utilities	4,796,258	6,506,824	-	-
Airport	253,111	150,703	-	-
<i>Total business-type activities</i>	<u>5,902,789</u>	<u>6,956,437</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 18,646,669</u>	<u>8,091,770</u>	<u>1,135,128</u>	<u>1,116,475</u>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied				
Gross receipts taxes				
Gasoline and motor vehicle 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				
Net position, ending				

See Notes to Financial Statements.

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

Primary Government

Governmental Activities	Business-Type Activities	Total
(1,925,817)	-	(1,925,817)
(4,351,348)	-	(4,351,348)
(111,102)	-	(111,102)
(2,177,189)	-	(2,177,189)
(787,332)	-	(787,332)
<u>(4,156)</u>	<u>(44,162)</u>	<u>(48,318)</u>
<u>(9,356,944)</u>	<u>(44,162)</u>	<u>(9,401,106)</u>
-	(554,510)	(554,510)
-	1,710,566	1,710,566
-	<u>(102,408)</u>	<u>(102,408)</u>
-	<u>1,053,648</u>	<u>1,053,648</u>
<u>(9,356,944)</u>	<u>1,009,486</u>	<u>(8,347,458)</u>
472,506	-	472,506
7,247,340	-	7,247,340
57,447	-	57,447
860,341	-	860,341
259,376	49,836	309,212
178,307	-	178,307
333,569	121,356	454,925
<u>5,550,400</u>	<u>(5,550,400)</u>	<u>-</u>
<u>14,959,286</u>	<u>(5,379,208)</u>	<u>9,580,078</u>
5,602,342	(4,369,722)	1,232,620
<u>60,105,268</u>	<u>19,226,375</u>	<u>79,331,643</u>
\$ <u>65,707,610</u>	<u>14,856,653</u>	<u>80,564,263</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019**

	General Fund 11000	General Government Improvements 39900	Other Governmental Funds	Total Governmental Funds
<i>Assets</i>				
Cash, cash equivalents and investments	\$ 15,347,838	500,000	1,044,766	16,892,604
Cash, restricted	-	820,769	438,649	1,259,418
Receivables:				
Property taxes	127,438	-	-	127,438
Other taxes receivable	1,123,653	-	-	1,123,653
Grants Receivable- State	229,976	-	232,902	462,878
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 16,828,905</u>	<u>1,320,769</u>	<u>1,716,317</u>	<u>19,865,991</u>
<i>Liabilities and Fund Balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 164,666	1,101,641	61,185	1,327,492
Bank overdraft	-	5,626,918	387,301	6,014,219
Accrued payroll expenses	203,708	-	10,250	213,958
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>368,374</u>	<u>6,728,559</u>	<u>458,736</u>	<u>7,555,669</u>
<i>Deferred Inflows</i>				
Unearned revenue - property taxes	<u>103,875</u>	-	-	<u>103,875</u>
<i>Total Deferred Inflows</i>	<u>103,875</u>	-	-	<u>103,875</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>472,249</u>	<u>6,728,559</u>	<u>458,736</u>	<u>7,659,544</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted	861,680	-	1,622,235	2,483,915
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>15,494,976</u>	<u>(5,407,790)</u>	<u>(364,654)</u>	<u>9,722,532</u>
<i>Total fund balances</i>	<u>16,356,656</u>	<u>(5,407,790)</u>	<u>1,257,581</u>	<u>12,206,447</u>
<i>Total liabilities and fund balances</i>	<u>\$ 16,828,905</u>	<u>1,320,769</u>	<u>1,716,317</u>	<u>19,865,991</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, 2019**

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

Fund balances - total governmental funds	\$	12,206,447
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds		2,213,117
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		60,933,016
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		103,875
Defined benefit pension plan deferred inflows are not payable in the current period and, therefore, not reported in the funds.		(876,885)
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		(7,806,801)
Net OPEB Liability		(170,941)
Accrued compensated absences		(323,583)
Bonds and notes payable		(570,635)
		<hr/>
Net position of governmental activities	\$	<u><u>65,707,610</u></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, 2019**

	General Fund 11000	General Government Improvements 39900	Other Governmental Funds	Total Governmental Funds
<i>Revenues</i>				
<i>Taxes:</i>				
Property	\$ 613,336	-	-	613,336
Gross receipts	7,145,587	-	101,753	7,247,340
Gasoline and motor vehicle	57,447	-	-	57,447
Other taxes	360,347	-	499,994	860,341
<i>Intergovernmental</i>				
Federal operating grants	12,460	136,574	314,167	463,201
State operating grants	92,686	-	579,241	671,927
State capital grants	52,641	1,031,434	32,400	1,116,475
Charges for services	1,135,333	-	-	1,135,333
Licenses and fees	82,831	-	-	82,831
Fines, forfeitures, and penalties	86,349	-	9,127	95,476
Investment income	234,980	-	24,396	259,376
Miscellaneous	270,409	-	63,160	333,569
<i>Total revenues</i>	<u>10,144,406</u>	<u>1,168,008</u>	<u>1,624,238</u>	<u>12,936,652</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	2,822,281	-	93,895	2,916,176
Public safety	2,973,742	-	497,956	3,471,698
Public works	1,426,524	-	-	1,426,524
Culture and recreation	1,497,328	-	353,223	1,850,551
Health and welfare	17,148	-	652,062	669,210
Capital outlay	-	9,103,839	-	9,103,839
Debt service				
Principal	-	-	119,502	119,502
Interest and other charges	-	-	4,156	4,156
<i>Total expenditures</i>	<u>8,737,023</u>	<u>9,103,839</u>	<u>1,720,794</u>	<u>19,561,656</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>1,407,383</u>	<u>(7,935,831)</u>	<u>(96,556)</u>	<u>(6,625,004)</u>
<i>Other Financing Sources (Uses)</i>				
Proceeds from loans	-	570,635	-	570,635
Transfers, in	5,006,687	12,043,357	768,211	17,818,255
Transfers, out	(6,166,028)	(4,846,495)	(1,255,332)	(12,267,855)
<i>Total other financing sources (uses)</i>	<u>(1,159,341)</u>	<u>7,767,497</u>	<u>(487,121)</u>	<u>6,121,035</u>
<i>Net change in fund balances</i>	248,042	(168,334)	(583,677)	(503,969)
<i>Fund balances - beginning of year</i>	<u>16,108,614</u>	<u>(5,239,456)</u>	<u>1,841,258</u>	<u>12,710,416</u>
<i>Fund balances, end of year</i>	<u>\$ 16,356,656</u>	<u>(5,407,790)</u>	<u>1,257,581</u>	<u>12,206,447</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, 2019**

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

Net change in fund balances - total governmental funds	\$ (503,969)
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds	
Change in Pension expense	(642,409)
Change in OPEB expense	29,093
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	9,103,839
Depreciation expense	(1,796,686)
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	(140,830)
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	4,437
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>(451,133)</u>
Change in net position of governmental activities	<u>\$ 5,602,342</u>

See Notes to Financial Statements.

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 - 11000  
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance Positive (Negative)
	Original Budget	Final Budget	Actual Amount	
<b>Revenues:</b>				
Taxes:				
Property	\$ 570,522	570,522	613,336	42,814
Gross Receipts	4,414,100	4,414,100	7,062,702	2,648,602
Other Taxes	2,848,300	2,848,300	417,794	(2,430,506)
Intergovernmental				
Federal Operating Grants	-	-	12,460	12,460
State Operating Grants	150,200	150,200	145,327	(4,873)
Charges for Services	1,389,085	1,389,085	1,135,333	(253,752)
Licenses and Fees	24,000	24,000	82,831	58,831
Fines, Forfeitures, and Penalties	104,200	104,200	86,349	(17,851)
Investment Income	-	-	234,980	234,980
Miscellaneous	120,250	120,250	270,409	150,159
<b>Total Revenues</b>	<u>9,620,657</u>	<u>9,620,657</u>	<u>10,061,521</u>	<u>440,864</u>
<b>Expenditures:</b>				
Current:				
General Government	3,750,621	3,750,621	2,914,582	836,039
Public Safety	2,829,335	2,829,335	2,973,742	(144,407)
Public Works	1,753,196	1,753,196	1,426,524	326,672
Culture and Recreation	623,681	623,681	1,514,476	(890,795)
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<u>8,956,833</u>	<u>8,956,833</u>	<u>8,829,324</u>	<u>127,509</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over (Under) Expenditures</i>	<u>663,824</u>	<u>663,824</u>	<u>1,232,197</u>	<u>568,373</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, In	-	-	5,006,687	5,006,687
Transfers, Out	(592,500)	(592,500)	(6,166,028)	(5,573,528)
Proceeds from sale of Capital Assets	-	-	-	-
<b>Total Other Financing sources (Uses):</b>	<u>(592,500)</u>	<u>(592,500)</u>	<u>(1,159,341)</u>	<u>(566,841)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 71,324</u>	<u>71,324</u>	<u>72,856</u>	<u>1,532</u>
<b>Reconciliation to GAAP Basis:</b>				
Adjustments to Revenues			82,885	
Adjustments to Expenditures			92,301	
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ 248,042</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, 2019**

	Golf Course 51800	Utilities 50100	Nonmajor Proprietary Funds	Total
<b>Assets</b>				
Current Assets				
Cash, cash equivalents and investments	\$ -	1,047,753	15,035	1,062,788
Cash, restricted	-	1,239,915	-	1,239,915
Other receivables	-	526,255	16,196	542,451
Prepays	-	-	-	-
Inventory	-	60,765	-	60,765
Due from other funds	-	-	-	-
Total current assets	<u>-</u>	<u>2,874,688</u>	<u>31,231</u>	<u>2,905,919</u>
Noncurrent assets				
Capital assets	2,229,470	50,197,196	4,335,752	56,762,418
Less: accumulated depreciation	<u>(1,499,910)</u>	<u>(23,076,976)</u>	<u>(24,770)</u>	<u>(24,601,656)</u>
Total noncurrent assets	<u>729,560</u>	<u>27,120,220</u>	<u>4,310,982</u>	<u>32,160,762</u>
Total assets	<u>729,560</u>	<u>29,994,908</u>	<u>4,342,213</u>	<u>35,066,681</u>
<b>Deferred Outflows</b>				
Pension Related	181,735	106,692	31,323	319,750
Total Deferred Outflows	<u>181,735</u>	<u>106,692</u>	<u>31,323</u>	<u>319,750</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts payable	3,305	292,218	32,937	328,460
Bank overdraft	85,780	-	-	85,780
Accrued payroll expenses	14,375	8,164	2,250	24,789
Accrued compensated absences	39,012	29,022	-	68,034
Meter and other deposits	-	257,085	-	257,085
Current portion of bonds and notes payable	-	147,064	-	147,064
Total current liabilities	<u>142,472</u>	<u>733,553</u>	<u>35,187</u>	<u>911,212</u>
Noncurrent Liabilities				
Accrued Compensated Absences	9,708	7,592	-	17,300
Bonds and notes payable	-	18,515,161	-	18,515,161
Net Pension Liability	598,160	351,165	103,097	1,052,422
Total noncurrent liabilities	<u>607,868</u>	<u>18,873,918</u>	<u>103,097</u>	<u>19,584,883</u>
Total Liabilities	<u>750,340</u>	<u>19,607,471</u>	<u>138,284</u>	<u>20,496,095</u>
<b>Deferred Inflows</b>				
Pension Related	19,144	11,239	3,300	33,683
Total Deferred Inflows	<u>19,144</u>	<u>11,239</u>	<u>3,300</u>	<u>33,683</u>
<b>Net Position</b>				
Net investment in capital assets	729,560	27,120,220	4,310,982	32,160,762
Unrestricted net position	<u>(587,749)</u>	<u>(16,637,330)</u>	<u>(79,030)</u>	<u>(17,304,109)</u>
Total Net Position	<u>\$ 141,811</u>	<u>10,482,890</u>	<u>4,231,952</u>	<u>14,856,653</u>

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, 2019**

	Golf Course 51800	Utilities 50100	Nonmajor Proprietary Funds	Total
<i>Operating Revenues</i>				
Charges for Services	\$ 298,910	6,506,824	150,703	6,956,437
Operating Grants	-	-	-	-
<b>Total operating revenues</b>	<b>298,910</b>	<b>6,506,824</b>	<b>150,703</b>	<b>6,956,437</b>
<i>Operating Expenses</i>				
General and administrative	102,577	1,605,311	239,074	1,946,962
Personnel services	563,672	264,294	-	827,966
Contractual services	36,316	1,916,525	-	1,952,841
Supplies and purchased power	44,661	103,269	-	147,930
Maintenance and materials	34,430	118,158	-	152,588
Utilities	69,538	455,849	1,311	526,698
Depreciation	2,226	332,852	12,726	347,804
<i>Total operating expenses</i>	<i>853,420</i>	<i>4,796,258</i>	<i>253,111</i>	<i>5,902,789</i>
<i>Operation income (loss)</i>	<i>(554,510)</i>	<i>1,710,566</i>	<i>(102,408)</i>	<i>1,053,648</i>
<i>Non-operating revenues (expenses)</i>				
Interest income	-	49,836	-	49,836
Interest expense	-	(44,162)	-	(44,162)
Miscellaneous	-	121,356	-	121,356
Gain (loss) from sale of capital assets	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>-</b>	<b>127,030</b>	<b>-</b>	<b>127,030</b>
Income (Loss) Before Contributions and Transfers	(554,510)	1,837,596	(102,408)	1,180,678
<i>Other Financing Sources (Uses)</i>				
Transfers in	540,000	6,447,957	27,000	7,014,957
Transfers out	-	(12,565,357)	-	(12,565,357)
<i>Net transfers</i>	<i>540,000</i>	<i>(6,117,400)</i>	<i>27,000</i>	<i>(5,550,400)</i>
<b>Change in net position</b>	<b>(14,510)</b>	<b>(4,279,804)</b>	<b>(75,408)</b>	<b>(4,369,722)</b>
<i>Beginning net position</i>	<i>156,321</i>	<i>14,762,694</i>	<i>4,307,360</i>	<i>19,226,375</i>
<i>Net position, end of year</i>	<i>\$ 141,811</i>	<i>10,482,890</i>	<i>4,231,952</i>	<i>14,856,653</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, 2019**

	Golf Course 010	Utilities 003	Nonmajor Proprietary Funds	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers and others	\$ 298,910	8,752,894	172,915	9,224,719
Cash paid for goods and services	(777,633)	(4,660,521)	(215,819)	(5,653,973)
<b>Net cash provided by operating activities</b>	<b>(478,723)</b>	<b>4,092,373</b>	<b>(42,904)</b>	<b>3,570,746</b>
<b>Cash Flows From Investing Activities</b>				
Interest income	-	49,836	-	49,836
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>49,836</b>	<b>-</b>	<b>49,836</b>
<b>Cash Flows From Non-Capital Financing</b>				
Miscellaneous income	-	121,329	0	
Transfers	540,000	(6,117,400)	27,000	(5,550,400)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>540,000</b>	<b>(5,996,071)</b>	<b>27,000</b>	<b>(5,550,400)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from debt	-	7,077,522	-	7,077,522
Purchases of capital assets	(55,906)	(5,196)	-	(61,102)
Debt payment	-	(24,337)	-	(24,337)
Interest paid	-	(44,162)	-	(44,162)
<b>Net cash used by capital and related financing activities</b>	<b>(55,906)</b>	<b>7,003,827</b>	<b>-</b>	<b>6,947,921</b>
Net decrease in cash and cash equivalents	5,371	5,149,965	(15,904)	5,018,103
Cash and restricted cash and cash equivalents, beginning of year	(91,151)	(2,862,297)	30,939	(2,922,509)
<b>Cash and restricted cash and cash equivalents, end of year</b>	<b>\$ (85,780)</b>	<b>2,287,668</b>	<b>15,035</b>	<b>2,095,594</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating income	\$ (554,510)	1,710,566	(102,408)	1,053,648
Adjustments to operating (loss) income to net cash provided by operating activities:				
Depreciation	2,226	332,852	12,726	347,804
Change in assets and liabilities:				
Receivables	-	(219,828)	340	(219,488)
Prepays	-	100	-	100
Inventory	-	11,681	-	11,681
Due from other funds	-	2,463,764	-	2,463,764
Deferred outflows	(49,182)	13,981	(8,526)	(43,727)
Accounts payable	(18,323)	(171,561)	32,937	(156,947)
Accrued payroll	(521)	(933)	155	(1,299)
Deposits	-	(11,847)	-	(11,847)
Due to other funds	-	-	-	-
Compensated absences	12,197	13,459	-	25,656
Net pension liability	138,536	(37,196)	23,473	124,813
Deferred inflows	(9,146)	(12,665)	(1,601)	(23,412)
<b>Net cash provided by operating activities</b>	<b>\$ (478,723)</b>	<b>4,092,373</b>	<b>(42,904)</b>	<b>3,570,746</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**June 30, 2019**

*Assets*

Cash

\$                      -

*Liabilities*

Deposits held in trust for others

\$                      -

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019**

**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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, 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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019 in the proprietary funds was \$60,765.

**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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
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JUNE 30, 2019**

**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, 2019, 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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, 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, 2019, 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, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$861,680 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  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019 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, 2019.

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, 2019, \$2,519,955 of the City's bank balances of \$8,738,666 were exposed to custodial credit risk. \$2,969,378 was collateralized by securities held by the pledging bank's trust department, not in the City's name.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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.

	TBK Bank	Wells Fargo	New Mexico Finance Authority	Total
Amount of Deposits	\$ 2,847,724	2,639,675	2,499,333	7,986,732
Certificates of Deposit	-	751,934	-	751,934
Less: FDIC Coverage	<u>(250,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(750,000)</u>
Total uninsured public funds	<u>\$ 2,597,724</u>	<u>2,891,609</u>	<u>2,499,333</u>	<u>7,988,666</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	\$ 1,514,905	1,454,473	-	2,969,378
Uninsured and uncollateralized	<u>\$ 1,082,819</u>	<u>1,437,136</u>	<u>-</u>	<u>2,519,955</u>
Collateral requirement (50% of uninsured public funds)	\$ 1,298,862	1,445,805	-	2,744,667
Pledged collateral	<u>1,514,905</u>	<u>1,454,473</u>	<u>-</u>	<u>2,969,378</u>
Over (under) collateralized	<u>\$ 216,043</u>	<u>8,668</u>	<u>-</u>	<u>224,711</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  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The City’s investments at June 30, 2019 include the following:

Investments	Rated	Weighted Average Maturity (R)	Weighted Average Maturity (F)	Fair Market Value
LGIP	*AAAm	35 Days	112 Days	\$ 6,159,041
Certificates of Deposit				751,934
				<u>\$ 6,910,975</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	\$ 17,955,392
Bank overdraft	(6,099,999)
Restricted cash	2,499,333
Plus, outstanding checks	555,993
Less: deposits in transit	(12,512)
Less: petty cash	(500)
Less: investment in LGIP	(6,159,041)
Bank balance of deposits	<u>\$ 8,738,666</u>
Demand Deposits – Bank Balance	\$ 7,986,732
Certificates of Deposit – Bank Balance	<u>751,934</u>
Total Bank Balance	<u>\$ 8,738,666</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  
CITY OF GRANTS  
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JUNE 30, 2019**

**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, 2019:

	Investment Assets at Fair Value as of June 30, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in				
LGIP	\$ 6,159,041	-	-	6,159,041
Certificates of Deposit	751,934	-	-	751,934
Total Assets at fair value	<u>\$ 6,910,975</u>	<u>-</u>	<u>-</u>	<u>6,910,975</u>

**NOTE 4 – RECEIVABLES**

Governmental funds receivables as of June 30, 2019 are shown as follows:

	General	Capital Improvements	Nonmajor	Total
			Governmental Funds	
Property Taxes	\$ 127,438	-	-	127,438
Other Taxes	1,123,653	-	-	1,123,653
Intergovernmental grants:				
State	229,976	-	232,902	462,878
Totals by category	<u>\$ 1,481,067</u>	<u>-</u>	<u>232,902</u>	<u>1,713,969</u>

In accordance with GASB 33 property tax revenues in the amount of \$103,875 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
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JUNE 30, 2019**

**NOTE 4 – RECEIVABLES (CONTINUED)**

Proprietary fund receivables as of June 30, 2019 are shown as follows:

	<u>Airport</u>	<u>Utilities</u>	<u>Total</u>
Customer receivables	\$ 16,196	606,396	622,592
Other	-	-	-
Less: Allowance for doubtful accounts	-	(80,141)	(80,141)
Total by category	<u>\$ 16,196</u>	<u>526,255</u>	<u>542,451</u>

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

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	\$ 5,006,687	\$ 6,166,028
General Government Improvements	-	-
Non-major Funds		
Cibola Senior Citizens	100,000	-
Emergency Medical Service	-	-
Fire Protection	-	54,264
Foster Grand	-	-
Capital Projects	12,043,357	4,846,495
Litter Control & Beautification	-	-
Local Government Corrections	120,000	-
Lodgers' Tax	-	194,381
Lodgers' Tax Promotional	194,381	-
Juvenile Recreation	-	92,951
GRT Streets and Parks Improvement	-	913,736
NMFA Loan – Debt Service	418,412	-
NMFA Reserve	-	64,582
<b>Total Governmental Activities</b>	<u>\$ 17,882,837</u>	<u>12,332,437</u>
<i>Business-type Activities</i>		
Utility	6,447,957	12,565,357
Airport	27,000	-
Golf Course	540,000	-
<b>Total Business-Type Activities</b>	<u>7,014,957</u>	<u>12,565,357</u>
<b>Total</b>	<u>\$ 24,897,794</u>	<u>\$ 24,897,794</u>

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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2019, 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 June 30, 2018	Additions	Deletions	Transfer to Enterprise Funds	Balance June 30, 2019
<b>Governmental Activities</b>					
Capital Assets not being depreciated:					
Art	\$ 122,897	-	-	-	122,897
Land	3,453,636	-	-	-	3,453,636
Construction in Progress	8,142,662	7,926,713	-	-	16,069,375
<b>Total</b>	<b>11,719,195</b>	<b>7,926,713</b>	<b>-</b>	<b>-</b>	<b>19,645,908</b>
Capital Assets being depreciated:					
Land improvements	6,375,309	-	-	-	6,375,309
Buildings and improvements	15,519,463	402,665	-	-	15,922,128
Machinery and equipment	9,187,995	303,149	-	-	9,491,144
Software	63,649	-	-	-	63,649
Infrastructure	33,960,521	471,312	-	-	34,431,833
<b>Total</b>	<b>65,106,937</b>	<b>1,177,126</b>	<b>-</b>	<b>-</b>	<b>66,284,063</b>
Less accumulated depreciation:					
Land improvements	2,283,991	174,301	-	-	2,458,292
Buildings and improvements	5,435,746	424,302	-	-	5,860,048
Machinery and equipment	7,248,773	258,121	-	-	7,506,894
Software	5,116	1,740	-	-	6,856
Infrastructure	8,226,643	938,222	-	-	9,164,865
<b>Total</b>	<b>23,200,269</b>	<b>1,796,686</b>	<b>-</b>	<b>-</b>	<b>24,996,955</b>
<b>Total capital assets, net</b>	<b>\$ 53,625,863</b>	<b>7,307,153</b>	<b>-</b>	<b>-</b>	<b>60,933,016</b>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

General government	\$	637,034
Public safety		209,876
Health and welfare		111,579
Public works		794,275
Culture and recreation		43,922
Total depreciation expense	\$	<u>1,796,686</u>

	Balance June 30, 2018	Additions	Deletions	Transfers from Governmental Funds	Balance June 30, 2019
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,262,650	-	-	-	2,262,650
Construction in progress	12,228,224	-	-	-	12,228,224
Idle assets	392,602				392,602
Water rights-intangible assets	125,612	-	-	-	125,612
Total	<u>15,009,088</u>	<u>-</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	61,102	-	-	3,436,161
Infrastructure	32,592,006	-	-	-	32,592,006
Total	<u>41,692,228</u>	<u>61,102</u>	<u>-</u>	<u>-</u>	<u>41,753,330</u>
Less accumulated depreciation:					
Land improvements	1,281,929	39,870	-	-	1,321,799
Buildings and improvements	490,636	7,820	-	-	498,456
Machinery and equipment	3,065,294	28,623	-	-	3,093,917
Infrastructure	19,415,993	271,491	-	-	19,687,484
Total	<u>24,253,852</u>	<u>347,804</u>	<u>-</u>	<u>-</u>	<u>24,601,656</u>
Total capital assets, net of depreciation	\$ <u>32,447,464</u>	<u>(286,702)</u>	<u>-</u>	<u>-</u>	<u>32,160,762</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

Depreciation expense for the year ended June 30, 2019 was charged to business-type activities as follows:

Airport	\$	12,726
Utilities		332,852
Golf		<u>2,226</u>
Total depreciation expense	\$	<u><u>347,804</u></u>

**NOTE 8 – LONG TERM DEBT**

**Governmental Activities.** During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
NMFA -- Museum	\$ 65,511	-	65,511	-	-
NMFA – Fire Truck	53,991	-	53,991	-	-
NMFA – Fire Truck 4802	-	365,000	-	365,000	47,295
NMED-- CWSRF 078	-	205,635	-	205,635	-
Compensated Absences	<u>328,020</u>	<u>123,894</u>	<u>128,331</u>	<u>323,583</u>	<u>257,979</u>
Totals	\$ <u><u>447,522</u></u>	<u><u>694,529</u></u>	<u><u>247,833</u></u>	<u><u>894,218</u></u>	<u><u>305,274</u></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 2019, compensated absences in the governmental activities decreased \$4,437 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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JUNE 30, 2019**

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

**NMFA Note Payable – Fire Truck 4802.** In December 7, 2018, the City entered into a loan and intercept agreement with the New Mexico Finance Authority (NMFA). The loan of \$365,000 was approved by NMFA for the purchase of a fire truck with an interest rate of 9.850%. The annual debt service payment is \$54,477. Principal is payable each May 1 and interest is payable each November 1 and May 1, through the year 2026. The City has pledged the State Fire Protection Fund Revenues for the repayment of this agreement and note.

**NMED – CWSRF 078.** The City entered into a construction loan agreement with the New Mexico Environment Department (NMED). The loan of \$2,000,000 was approved by NMED to pay for approved costs to acquire, modify, construct, and improve the wastewater treatment facilities with an interest rate of 1.2%. As of June 30, 2019, \$205,635 in loan funds have been disbursed, \$1,794,365 in loan funds remain; \$1,437 in interest has been accrued on the loan funds disbursed. The City has pledged the net revenues of the utilities proprietary fund for the repayment of this agreement and note. The project was not complete as of June 30, 2019.

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2019
NMFA – Fire Truck 4802	365,000	5/1/2026	9.850%	365,000
NMED – CWSRF 078	2,000,000	1/9/2021	1.200%	205,635
Total				\$ 570,635

**Debt Service Requirements.** Debt service requirements on long-term debt for governmental activities at June 30, 2019 are as follows:

<b>Notes Payable</b>				
Fiscal Year Ending June 30,		Principal Payment	Interest Payment	Total Debt Service
2019	\$	47,295	6,913	54,208
Total	\$	47,295	6,913	54,208

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

**Business-Type Activities.** During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the proprietary funds statement of net position:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Revenue bonds	\$ 377,102	-	24,365	352,737	24,397
NMED - CWSRF 029	11,231,965	1,327,944	-	12,559,909	-
NMED - CWSRF 077	-	226,252		226,252	-
NMFA – Water Meters 4816	-	5,523,326		5,523,326	122,667
Compensated absences	59,678	49,219	23,562	85,335	68,034
Totals	<u>\$ 11,668,745</u>	<u>7,126,741</u>	<u>47,927</u>	<u>18,747,559</u>	<u>215,098</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 2019, compensated absences in the business-type activities increased \$25,657 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.

**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.

**NMFA Note Payable - Water Meters 4816.** In January 25, 2019, the City entered into a loan and intercept agreement with the New Mexico Finance Authority (NMFA). The loan of \$5,523,326 was approved by NMFA for the energy upgrades and improvements and water conservation and repair at various government offices and on all city water meters and repair of infrastructure related to all city water meters with a blended interest rate of 2.869%. The annual debt service payment is \$375,810. Principal is payable each May 1 and interest is payable each November 1 and May 1, through the year 2034. The City has pledged the gross receipts tax intercept for the repayment of this agreement and note.

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

**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, 2019 the City has drawn down \$12,559,910. The project was not complete as of June 30, 2019.

**NMED – CWSRF 077.** The City entered into a construction loan agreement with the New Mexico Environment Department (NMED). The loan of \$1,059,000 was approved by NMED to pay for approved costs to acquire, modify, construct, and improve the wastewater treatment facilities with an interest rate of 2.000%. As of June 30, 2019, \$226,252 in loan funds have been disbursed, \$832,748 in loan funds remain; \$3,114 in interest has been accrued on the loan funds disbursed. The City has pledged the net revenues of the utilities proprietary fund for the repayment of this agreement and note. The project was not complete as of June 30, 2019.

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2019
Revenue Bond 194 WTB	168,438	6/1/2031	0.25%	\$ 102,070
Revenue Bond 152 WTB	40,000	6/1/2030	0.25%	22,247
Revenue Bond 315 WTB	280,000	6/1/2035	0.25%	228,420
NMED – CWSRF 029	15,000,000	12/19/2019	0.000%	12,559,909
NMED – CWSRF 077	1,059,000	1/10/2020	2.000%	226,252
NMFA – Water Meters 4816	5,523,326	5/1/2034	2.87%	5,523,326
Total				\$ 18,662,224

**Debt Service Requirements.** Debt service requirements on long-term debt for business-type activities at June 30, 2019 are as follows:

<b>Long term debt</b>			
Fiscal Year Ending June 30,	Principal Payment	Interest Fee	Total Debt Service
2020	147,064	190,011	337,075
2021	211,052	147,815	358,867
2022	234,900	144,078	378,978
2023	260,131	139,682	399,813
2024	286,872	134,581	421,453
2025-2029	1,894,781	378,556	2,273,337
2030-2034	2,826,746	566,605	3,393,351
thereafter	12,800,678	2,565,820	15,366,498
Total	\$ 18,662,224	4,267,148	22,929,372

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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. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan description.** The 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/Audit 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 PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), 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 PERA 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. State police and

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**NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

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 contributions 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 comprehensive annual financial report for contribution provided description.

<b>PERA Contribution Rates and Pension Factors in effect during FY18</b>						
	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>Coverage Plan</b>						
<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%	17.15%	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 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%

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**NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2019, the City reported a liability of \$8,859,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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.

***PERA Fund Municipal General Division.*** At June 30, 2018, the City’s proportion was 0.30280%, which was an increase of 0.0166%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$501,495. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 139,531	126,751
Changes in assumptions	437,704	27,758
Net difference between projected and actual earnings on pension plan investments	358,051	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	314,626	-
City’s contributions subsequent to the measurement date	239,750	-
Total	<u>\$ 1,489,662</u>	<u>154,509</u>

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**NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$239,750 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, 2019. 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:		
2020	\$	679,512
2021		299,457
2022		97,960
2023		18,474
2024		-
Thereafter		-

**PERA Fund Municipal Police Division.** At June 30, 2018, the City's proportion was 0.3448%, which was an increase of 0.034%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$127,853. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 115,172	233,202
Changes in assumptions	268,433	14,382
Net difference between projected and actual earnings on pension plan investments	161,891	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	53,402	232,981
City's contributions subsequent to the measurement date	<u>148,727</u>	<u>-</u>
Total	<u>\$ 747,625</u>	<u>480,565</u>

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**NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$148,727 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, 2019. 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:		
2020	\$	146,663
2021		(43,645)
2022		7,329
2023		7,986
2024		-
Thereafter		-

**PERA Fund Municipal Fire Division.** At June 30, 2018, the City's proportion was 0.2623%, which was a decrease of 0.0232%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$70,734. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,980	122,440
Changes in assumptions	96,961	6,131
Net difference between projected and actual earnings on pension plan investments	58,874	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	40,042	146,923
City's contributions subsequent to the measurement date	<u>72,723</u>	<u>-</u>
Total	<u>\$ 295,580</u>	<u>275,494</u>

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**NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

\$72,723 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, 2019. 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:	
2020	\$ 26,771
2021	(60,946)
2022	(21,084)
2023	2,622
2024	-
Thereafter	-

**Actuarial assumptions.** The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPD-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)

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**NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduction & Mitigation	21.5%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	<u>100.0%</u>	

**Discount rate.** A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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NOTE 10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

*PERA Fund Municipal Division*

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 7,439,244	4,827,753	2,668,938

*PERA Fund Municipal Police Division*

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 3,617,310	2,352,585	1,321,534

*PERA Fund Municipal Fire Division*

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 2,241,183	1,678,885	1,218,245

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

**Payables to the pension plan:** The City accrued \$18,772 in PERA benefits at June 30, 2019 for the pay period beginning June 16, 2019 and ending June 28, 2019.

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.

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

**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, 2019, 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 \$170,941 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>June 30, 2019</u>
Inflation	5.00%
Salary increases	3.00%
Discount rate	3.50%
Healthcare cost trend rates	5.00%
Retirees’ share of benefit-related costs	-

The discount rate was based on bond yield of 3.50%.

**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.

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NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

*Changes in Net OPEB Liability*

Balance as of June 30, 2019	\$	<u>170,941</u>
Changes for the year:		
Service Cost		-
Interest on total OPEB liability		7,771
Effect of economic/demographic gains or losses		(10,570)
Effect of assumptions changes or inputs		3,137
Benefit payments		<u>(29,431)</u>
Net changes	\$	<u>(29,093)</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.19 percent in 2018 to 3.50 percent in 2019.

***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 2.50%</b>	<b>Current Discount Rate 3.50%</b>	<b>1% Increase 4.50%</b>
Total OPEB Liability	\$ 206,417	170,941	193,986
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 206,417</u>	<u>170,941</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 Discount Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 175,680	170,941	166,429
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 175,680</u>	<u>170,941</u>	<u>166,429</u>

***OPEB Expense.*** For the year ended June 30, 2019, the Village recognized OPEB expense of \$29,431.

***Payables changes in the net OPEB liability.*** At June 30, 2019, the City did not accrue any payables for OPEB.

**STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12. – CONTINGENT LIABILITIES**

The City is a defendant in a number of lawsuits as of June 30, 2019. 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 \$2,483,916 of restricted net position, of which \$438,649 is restricted for debt service, \$1,183,586 is restricted by enabling legislation and \$861,680 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, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 16, 2019 which is the date on which the financial statements were issued.

**NOTE 17. RECENT ACCOUNTING PRONOUNCEMENTS**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The City has adopted this statement for the year ending June 30, 2019; however, there were no AROs and the implementation of this statement had no effect on the City's financial statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The City adopted this statement; however, the City has no debt and the implementation of this statement had no effect on the City's financial statements.

**NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

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

GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 91, *Conduit Debt Obligations*.

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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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.

*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.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019  
NOTE 19 – GOVERNMENTAL FUND BALANCE (CONTINUED)**

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

Fund Balances	General Fund	General Government Improvements	Other Governmental Funds	Total
<b>Restricted:</b>				
Cemetery Perpetual Care	\$ -	-	191,041	191,041
Emergency Medical Services	-	-	4,416	4,416
Fire Protection	-	-	69,184	69,184
Gasoline Road Tax	-	-	842,977	842,977
Lodger’s Tax	-	-	53,989	53,989
Special Library Donation	-	-	21,979	21,979
NMFA Loan 40400	-	-	438,649	438,649
NMFA Reserve 016	-	-	-	-
Government Operations	861,680	-	-	861,680
<b>Unassigned:</b>				
General Operations	15,494,976	(5,407,790)	-	10,087,186
Cibola Senior Citizens	-	-	(30,181)	(30,181)
Foster Grandparents	-	-	(105,883)	(105,883)
Litter Control and Beautification	-	-	(800)	(800)
Local Government Corrections	-	-	(72,041)	(72,041)
Senior Companion Program	-	-	(120,504)	(120,504)
Senior Employment Program	-	-	(35,245)	(35,245)
Total fund balances:	\$ 16,356,656	(5,407,790)	1,257,581	12,206,447

**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, 2019.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 21 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures, as part of the basic financial statements of certain information concerning individual funds including:

- A. Excess of fund actual expenditures/transfers out over budget. The following fund exceeded budgeted expenditures for the year ended June 30, 2019:

Lodger's Tax – \$68,384

- B. Deficit fund balance of individual funds. The following funds had deficit fund balances for the year ended June 30, 2019:

Local Government Corrections – \$72,041

Cibola Senior Citizens – \$30,181

Senior Companion Program – \$120,504

Foster Grandparents – \$105,883

Senior Employment Program – \$35,245

Litter Control and Beautification – \$800

General Government Improvements – \$5,407,790

Deficit balances will be recovered through future funding and/or transfers from the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
June 30, 2019**

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

Fiscal Year Measurement Date	30-Jun				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
City's Proportion of the Net Pension Liability (Asset)					
Municipal General	0.3028%	0.2862%	0.2704%	0.2479%	0.2287%
Municipal Police	0.3788%	0.3788%	0.4138%	0.3859%	0.3138%
Municipal Fire	0.2623%	0.2855%	0.3026%	0.2727%	0.2673%
City's Proportionate Share of Net Pension Liability (Asset)					
Municipal General	\$ 4,827,753	3,932,630	4,320,082	2,527,555	1,784,105
Municipal Police	2,352,585	2,104,483	3,053,139	1,855,624	1,022,954
Municipal Fire	1,678,885	1,633,472	2,018,650	1,407,454	1,115,708
	<u>\$ 8,859,223</u>	<u>7,670,585</u>	<u>9,391,871</u>	<u>5,790,633</u>	<u>3,922,767</u>
City's Covered Payroll					
Municipal General	\$ 2,510,469	2,459,580	2,168,827	1,892,660	1,525,927
Municipal Police	786,914	701,850	885,799	804,508	632,106
Municipal Fire	406,274	388,012	360,697	319,880	300,092
	<u>\$ 3,703,657</u>	<u>3,549,442</u>	<u>3,415,323</u>	<u>3,017,048</u>	<u>2,458,125</u>
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll					
Municipal General	192.30%	159.89%	199.19%	133.55%	116.92%
Municipal Police	298.96%	299.85%	344.68%	230.65%	161.83%
Municipal Fire	413.24%	420.98%	559.65%	439.99%	371.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Municipal General	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Fire	71.13%	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, 2019

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

	2019	2018	2017	2016	2015
Contributions in relation to the contractually required contribution					
Municipal General	239,750	234,890	239,990	207,123	180,749
Municipal Police	148,727	132,649	147,970	167,416	152,052
Municipal Fire	72,723	69,455	74,914	78,091	69,254
	<u>461,200</u>	<u>436,994</u>	<u>462,874</u>	<u>452,630</u>	<u>402,055</u>
Contractually required contributions					
Municipal General	239,827	238,718	239,990	207,123	180,749
Municipal Police	148,751	171,094	147,970	167,416	152,052
Municipal Fire	72,360	81,759	74,914	78,091	69,254
	<u>262</u>	<u>(54,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll					
Municipal General	2,510,469	2,459,580	2,512,984	2,168,827	1,892,660
Municipal Police	786,914	701,850	782,910	885,799	804,508
Municipal Fire	406,274	388,012	346,023	360,697	319,880
	<u>3,703,657</u>	<u>3,549,442</u>	<u>3,641,917</u>	<u>3,415,323</u>	<u>3,017,048</u>
Contributions "in relation" as a percentage of covered-employee payroll					
Municipal General	9.55%	9.55%	9.55%	9.55%	8.33%
Municipal Police	18.90%	18.90%	18.90%	18.90%	18.90%
Municipal Fire	17.90%	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 are imputed using the contribution rates for the various plans

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019**

**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 2018 report is available at: <http://www.nmpera.org/>

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2019**

**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, 2019**

**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.

**Fire Protection Grant** – To account for the State of New Mexico grant funds to provide personnel and equipment to fight fires.

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019

	Special Revenue			
	Cemetery Perpetual Care <b>50600</b>	Cibola Senior Citizens <b>21900</b>	Emergency Medical Services <b>20600</b>	Fire Protection <b>20900</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 191,041	-	4,416	70,607
Receivables:				
Property taxes	-	-	-	-
Other receivables	-	54,562	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 191,041</b>	<b>54,562</b>	<b>4,416</b>	<b>70,607</b>
<i>Liabilities</i>				
Accounts payable	\$ -	3,349	-	1,423
Bank overdraft	-	73,094	-	-
Accrued payroll expenses	-	8,300	-	-
Accrued sales tax payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>84,743</b>	<b>-</b>	<b>1,423</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>84,743</b>	<b>-</b>	<b>1,423</b>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted	191,041	-	4,416	69,184
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(30,181)	-	-
<b>Total fund balances</b>	<b>191,041</b>	<b>(30,181)</b>	<b>4,416</b>	<b>69,184</b>
<b>Total liabilities and fund balances</b>	<b>\$ 191,041</b>	<b>54,562</b>	<b>4,416</b>	<b>70,607</b>

Special Revenue

Foster Grandparents <b>21902</b>	Gasoline Road Tax <b>21600</b>	GRT Street & Parks Improvement <b>082</b>	Juvenile Recreation <b>019</b>	Law Enforcement Protection <b>21100</b>
-	719,223	-	-	201
-	-	-	-	-
3,779	123,754	-	-	-
-	-	-	-	-
<u>3,779</u>	<u>842,977</u>	<u>-</u>	<u>-</u>	<u>201</u>
114	-	-	-	201
109,058	-	-	-	-
490	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>109,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201</u>
-	-	-	-	-
-	-	-	-	-
<u>109,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201</u>
-	-	-	-	-
-	842,977	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>(105,883)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(105,883)</u>	<u>842,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,779</u>	<u>842,977</u>	<u>-</u>	<u>-</u>	<u>201</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019

	Special Revenue			
	Litter Control and Beautification <b>29900</b>	Local Government Corrections <b>20100</b>	Lodgers' Tax <b>21400</b>	Lodgers' Tax Promotional <b>012</b>
<i>Assets</i>				
Cash and cash equivalents	-	-	37,299	-
Restricted cash				
Receivables:				
Property taxes	-	-	-	-
Other receivables	8,259	-	34,009	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>8,259</b>	<b>-</b>	<b>71,308</b>	<b>-</b>
<i>Liabilities</i>				
Accounts payable	57	38,518	17,319	-
Bank overdraft	9,002	33,523	-	-
Accrued payroll expenses	-	-	-	-
Accrued sales tax payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>9,059</b>	<b>72,041</b>	<b>17,319</b>	<b>-</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>9,059</b>	<b>72,041</b>	<b>17,319</b>	<b>-</b>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted	-	-	53,989	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(800)	(72,041)	-	-
<b>Total fund balances</b>	<b>(800)</b>	<b>(72,041)</b>	<b>53,989</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>8,259</b>	<b>-</b>	<b>71,308</b>	<b>-</b>

Special Revenue

Senior Companion Program <b>21901</b>	Senior Employment Program <b>21903</b>	Special Library Donation <b>29901</b>	Fire Protection Grant <b>29902</b>	Total Special Revenue Funds
-	-	21,979	-	1,044,766
-	-	-	-	-
6,494	2,045	-	-	232,902
-	-	-	-	-
<u>6,494</u>	<u>2,045</u>	<u>21,979</u>	<u>-</u>	<u>1,277,668</u>
204	-	-	-	61,185
126,242	36,382	-	-	387,301
552	908	-	-	10,250
-	-	-	-	-
-	-	-	-	-
<u>126,998</u>	<u>37,290</u>	<u>-</u>	<u>-</u>	<u>458,736</u>
-	-	-	-	-
-	-	-	-	-
<u>126,998</u>	<u>37,290</u>	<u>-</u>	<u>-</u>	<u>458,736</u>
-	-	-	-	-
-	-	21,979	-	1,183,586
-	-	-	-	-
-	-	-	-	-
<u>(120,504)</u>	<u>(35,245)</u>	<u>-</u>	<u>-</u>	<u>(364,654)</u>
<u>(120,504)</u>	<u>(35,245)</u>	<u>21,979</u>	<u>-</u>	<u>818,932</u>
<u>6,494</u>	<u>2,045</u>	<u>21,979</u>	<u>-</u>	<u>1,277,668</u>

See Notes to Financial Statements.



STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019

	Debt Services			
	NMFA Loan 40400	NMFA Reserve 016	Total Debt Service Funds	Total Nonmajor Governmental Funds
<i>Assets</i>				
Cash and cash equivalents	-	-	-	1,044,766
Restricted cash	438,649	-	438,649	438,649
Receivables:				
Property taxes	-	-	-	-
Other receivables	-	-	-	232,902
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>438,649</u>	<u>-</u>	<u>438,649</u>	<u>1,716,317</u>
<i>Liabilities</i>				
Accounts payable	-	-	-	61,185
Bank overdraft	-	-	-	387,301
Accrued payroll expenses	-	-	-	10,250
Accrued sales tax payable	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,736</u>
<i>Deferred Inflows - Property Taxes</i>				
Unearned revenue - property taxes	-	-	-	-
<i>Total Deferred Inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,736</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted	438,649	-	438,649	1,622,235
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(364,654)
<i>Total fund balances</i>	<u>438,649</u>	<u>-</u>	<u>438,649</u>	<u>1,257,581</u>
<i>Total liabilities and fund balances</i>	<u>438,649</u>	<u>-</u>	<u>438,649</u>	<u>1,716,317</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, 2019

	Special Revenue			
	Cemetery Perpetual Care <b>50600</b>	Cibola Senior Citizens <b>21900</b>	Emergency Medical Services <b>20600</b>	Fire Protection <b>20900</b>
<i>Revenues</i>				
Taxes:				
Property	\$ -	-	-	-
Gross Receipts	-	-	-	-
Other	-	-	-	-
Intergovernmental				
Federal operating grants	-	314,167	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	11,611	268,293
State capital grants	-	32,400	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-
Miscellaneous	58,550	658	-	-
<b>Total revenues</b>	<b>58,550</b>	<b>347,225</b>	<b>11,611</b>	<b>268,293</b>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	215,445
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	3,955	470,585	7,744	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>3,955</b>	<b>470,585</b>	<b>7,744</b>	<b>215,445</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<b>54,595</b>	<b>(123,360)</b>	<b>3,867</b>	<b>52,848</b>
<i>Other Financing Sources (Uses)</i>				
Proceeds from loans	-	-	-	-
Transfers, in	-	100,000	-	-
Transfers, out	-	-	-	(54,264)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>(54,264)</b>
<b>Net change in fund balances</b>	<b>54,595</b>	<b>(23,360)</b>	<b>3,867</b>	<b>(1,416)</b>
<b>Fund balances - beginning of year</b>	<b>136,446</b>	<b>(6,821)</b>	<b>549</b>	<b>70,600</b>
<b>Fund balances, end of year</b>	<b>\$ 191,041</b>	<b>(30,181)</b>	<b>4,416</b>	<b>69,184</b>

See Notes to Financial Statements.

Special Revenue

Foster Grandparents <b>21902</b>	Gasoline Road Tax <b>21600</b>	GRT Street & Parks Improvement <b>082</b>	Juvenile Recreation <b>019</b>	Law Enforcement Protection <b>21100</b>
-	-	-	-	-
-	101,753	-	-	-
-	129,911	-	-	-
-	-	-	-	-
-	-	-	-	-
52,582	-	-	-	29,600
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
52,582	231,664	-	-	29,600
-	-	-	-	-
-	-	-	-	31,746
-	-	-	-	-
48,618	-	-	-	-
-	-	-	-	-
-	-	-	-	-
48,618	-	-	-	31,746
3,964	231,664	-	-	(2,146)
-	-	-	-	-
-	-	-	-	-
-	-	(913,736)	(92,951)	-
-	-	(913,736)	(92,951)	-
3,964	231,664	(913,736)	(92,951)	(2,146)
(109,847)	611,313	913,736	92,951	2,146
(105,883)	842,977	-	-	-

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, 2019

	Special Revenue			
	Litter Control and Beautification <b>29900</b>	Local Government Corrections <b>20100</b>	Lodgers' Tax <b>21400</b>	Lodgers' Tax Promotional <b>012</b>
<i>Revenues</i>				
Taxes:				
Property	-	-	-	-
Gross Receipts	-	-	-	-
Other	-	-	370,083	-
Intergovernmental				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	11,174	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Fines, forfeitures, and penalties	-	24,396	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>11,174</b>	<b>24,396</b>	<b>370,083</b>	<b>-</b>
<i>Expenditures:</i>				
Current:				
General government	-	-	93,895	-
Public safety	-	151,765	-	-
Public works	-	-	-	-
Culture and recreation	7,624	-	341,271	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>7,624</b>	<b>151,765</b>	<b>435,166</b>	<b>-</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<b>3,550</b>	<b>(127,369)</b>	<b>(65,083)</b>	<b>-</b>
Other Financing Sources (Uses)				
Proceeds from loans	-	-	-	-
Transfers, in	-	120,000	-	194,381
Transfers, out	-	-	(194,381)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>120,000</b>	<b>(194,381)</b>	<b>194,381</b>
<b>Net change in fund balances</b>	<b>3,550</b>	<b>(7,369)</b>	<b>(259,464)</b>	<b>194,381</b>
<b>Fund balances - beginning</b>	<b>(4,350)</b>	<b>(64,672)</b>	<b>313,453</b>	<b>(194,381)</b>
<b>Fund balances, end of year</b>	<b>(800)</b>	<b>(72,041)</b>	<b>53,989</b>	<b>-</b>

See Notes to Financial Statements.

Special Revenue

Senior Companion Program <b>21901</b>	Senior Employment Program <b>21903</b>	Special Library Donation <b>29901</b>	Fire Protection Grant <b>29902</b>	Total Special Revenue Funds
-	-	-	-	-
-	-	-	-	101,753
-	-	-	-	499,994
-	-	-	-	314,167
-	-	-	-	-
73,879	25,592	7,510	99,000	579,241
-	-	-	-	32,400
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	24,396
-	-	3,952	-	63,160
<u>73,879</u>	<u>25,592</u>	<u>11,462</u>	<u>99,000</u>	<u>1,615,111</u>
-	-	-	-	93,895
-	-	-	99,000	497,956
-	-	-	-	-
-	-	4,328	-	353,223
71,409	49,751	-	-	652,062
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>71,409</u>	<u>49,751</u>	<u>4,328</u>	<u>99,000</u>	<u>1,597,136</u>
<u>2,470</u>	<u>(24,159)</u>	<u>7,134</u>	<u>-</u>	<u>17,975</u>
-	-	-	-	-
-	-	-	-	414,381
-	-	-	-	(1,255,332)
-	-	-	-	(840,951)
2,470	(24,159)	7,134	-	(822,976)
<u>(122,974)</u>	<u>(11,086)</u>	<u>14,845</u>	<u>-</u>	<u>1,641,908</u>
<u>(120,504)</u>	<u>(35,245)</u>	<u>21,979</u>	<u>-</u>	<u>818,932</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, 2019

	Debt Service		Total Debt Service Funds	Total Nonmajor Governmental Funds
	NMFA Loan 40400	NMFA Reserve 016		
<i>Revenues</i>				
Taxes:				
Property	-	-	-	-
Gross Receipts	-	-	-	101,753
Other	-	-	-	499,994
Intergovernmental				
Federal operating grants	-	-	-	314,167
Federal capital grants	-	-	-	-
State operating grants	-	-	-	579,241
State capital grants	-	-	-	32,400
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	9,127	-	9,127	9,127
Fines, forfeitures, and penalties	-	-	-	24,396
Miscellaneous	-	-	-	63,160
<i>Total revenues</i>	<u>9,127</u>	<u>-</u>	<u>9,127</u>	<u>1,624,238</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	93,895
Public safety	-	-	-	497,956
Public works	-	-	-	-
Culture and recreation	-	-	-	353,223
Health and welfare	-	-	-	652,062
Capital outlay	-	-	-	-
Debt service				
Principal	119,502	-	119,502	119,502
Interest	4,156	-	4,156	4,156
<i>Total expenditures</i>	<u>123,658</u>	<u>-</u>	<u>123,658</u>	<u>1,720,794</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(114,531)</u>	<u>-</u>	<u>(114,531)</u>	<u>(96,556)</u>
Other Financing Sources (Uses)				
Proceeds from loans	-	-	-	-
Transfers, in	353,830	-	353,830	768,211
Transfers, out	64,582	(64,582)	-	(1,255,332)
<i>Total other financing sources (uses)</i>	<u>418,412</u>	<u>(64,582)</u>	<u>353,830</u>	<u>(487,121)</u>
<i>Net change in fund balances</i>	303,881	(64,582)	239,299	(583,677)
<i>Fund balances - beginning of year</i>	<u>134,768</u>	<u>64,582</u>	<u>199,350</u>	<u>1,841,258</u>
<i>Fund balances, end of year</i>	<u><u>438,649</u></u>	<u><u>-</u></u>	<u><u>438,649</u></u>	<u><u>1,257,581</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2019**

	Business Type Activities - Enterprise Funds	
	Airport 50400	Total Nonmajor Enterprise Funds
<b>ASSETS</b>		
<b>Current assets</b>		
Cash, investments and cash equivalents	\$ 15,035	15,035
Accounts receivable - other	16,196	16,196
<b>Total current assets</b>	<b>31,231</b>	<b>31,231</b>
<b>Noncurrent assets</b>		
Capital assets	4,335,752	4,335,752
Less: Accumulated depreciation	(24,770)	(24,770)
<b>Total noncurrent assets</b>	<b>4,310,982</b>	<b>4,310,982</b>
<b>Total assets</b>	<b>4,342,213</b>	<b>4,342,213</b>
<b>Deferred Outflows</b>		
Pension related	31,323	31,323
<b>Total deferred outflows</b>		
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	32,937	32,937
Accrued liabilities	2,250	2,250
<b>Total current liabilities</b>	<b>35,187</b>	<b>35,187</b>
<b>Noncurrent liabilities</b>		
Net pension liability	103,097	103,097
<b>Total noncurrent liabilities</b>	<b>103,097</b>	<b>103,097</b>
<b>Total liabilities</b>	<b>138,284</b>	<b>138,284</b>
<b>Deferred Inflows</b>		
Pension related	3,300	3,300
	3,300	3,300
<b>Net position</b>		
Net investment in capital assets	4,310,982	4,310,982
Unrestricted	(79,030)	(79,030)
<b>Total net position</b>	<b>\$ 4,231,952</b>	<b>4,231,952</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, 2019**

	Business Type Activities - Enterprise Funds	
	Airport 50400	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>		
Charges for services	\$ 150,703	150,703
<i>Total revenues</i>	<u>150,703</u>	<u>150,703</u>
<i>Operating Expenses</i>		
General and administrative	239,074	239,074
Depreciation	12,726	12,726
Utilities	1,311	1,311
<i>Total operating expenses</i>	<u>253,111</u>	<u>253,111</u>
<i>Operating income (loss)</i>	<u>(102,408)</u>	<u>(102,408)</u>
<i>Nonoperating revenues (expenses)</i>		
Investment income	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>
<i>Income (loss) before contributions and transfers</i>	<u>(102,408)</u>	<u>(102,408)</u>
Transfers in	27,000	27,000
Transfers out	-	-
<i>Change in net position</i>	<u>(75,408)</u>	<u>(75,408)</u>
Net position - beginning of year	<u>4,307,360</u>	<u>4,307,360</u>
<i>Net position - end of year</i>	<u>\$ 4,231,952</u>	<u>4,231,952</u>

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 50400	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>		
Cash received from user charges	\$ 172,915	172,915
Cash payments to suppliers for goods and services	(215,819)	(215,819)
<i>Net cash (used) by operating activities</i>	<u>(42,904)</u>	<u>(42,904)</u>
<i>Cash flows from noncapital financing activities</i>		
Miscellaneous income	-	-
Transfers	27,000	27,000
<i>Net cash provided by noncapital financing activities</i>	<u>27,000</u>	<u>27,000</u>
<i>Cash flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	-	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>(15,904)</u>	<u>(15,904)</u>
Cash and cash equivalents - beginning of year	<u>30,939</u>	<u>30,939</u>
Cash and cash equivalents - end of year	<u>\$ 15,035</u>	<u>15,035</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>		
Operating income (loss)	\$ (102,408)	(102,408)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
<i>Depreciation</i>	12,726	12,726
Changes in assets and liabilities		
Receivables	340	340
Deferred outflows	(8,526)	(8,526)
Accounts payable	32,937	32,937
Accrued liabilities	155	155
Net pension liability	23,473	23,473
Deferred inflows	(1,601)	(1,601)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (42,904)</u>	<u>(42,904)</u>



## **SUPPORTING SCHEDULES**



STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF PLEDGED COLLATERAL  
For the Year Ended June 30, 2019

Name of Depository	Description	Maturity	CUSIP or Security ID Number	Fair Market Value	Name and Location of Safe Keeper
Wells Fargo Bank	FMAC FGPC 4.000%	11/1/2043	3128MJTQ3	\$ 8,470	Bank of New York Mellon
Wells Fargo Bank	FNMA FNMS 3.000%	2/1/2043	3138W0H69	<u>1,446,003</u>	Bank of New York Mellon
				<u>1,454,473</u>	
TBK Bank	CARNIVAL CORP	10/15/2020	143658BA9	510,075	The Independent Bankers Bank
TBK Bank	HASBRO INC	5/15/2021	418056AT4	504,385	The Independent Bankers Bank
TBK Bank	JPMORGAN CHASE	3/21/2023	48126DNH8	<u>500,445</u>	The Independent Bankers Bank
				<u>1,514,905</u>	
Total Collateral Pledged				<u>\$ 2,969,378</u>	



**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2019**

	Balance June 30, 2018	Additions	Transfers to General Fund	Balance June 30, 2019
<i>Appearance Bond Fund</i>				
Assets				
Cash and cash equivalents	\$ 25,894	-	25,894	-
<i>Total assets</i>	<u>\$ 25,894</u>	<u>-</u>	<u>25,894</u>	<u>-</u>
Liabilities				
Deposits held and due to others	\$ 25,894	-	25,894	-
<i>Total liabilities</i>	<u>\$ 25,894</u>	<u>-</u>	<u>25,894</u>	<u>-</u>
<i>Senior Citizens</i>				
Assets				
Cash and cash equivalents	\$ 934	-	934	-
<i>Total assets</i>	<u>\$ 934</u>	<u>-</u>	<u>934</u>	<u>-</u>
Liabilities				
Deposits held and due to others	\$ 934	-	934	-
<i>Total liabilities</i>	<u>\$ 934</u>	<u>-</u>	<u>934</u>	<u>-</u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 26,828	-	26,828	-
<i>Total assets</i>	<u>\$ 26,828</u>	<u>-</u>	<u>26,828</u>	<u>-</u>
Liabilities				
Deposits held and due to others	\$ 26,828	-	26,828	-
<i>Total liabilities</i>	<u>\$ 26,828</u>	<u>-</u>	<u>26,828</u>	<u>-</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF JOINT POWERS AGREEMENTS AND  
MEMORANDUMS OF UNDERSTANDING  
June 30, 2019**

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	\$ 103,200	None	None	Cibola County
4/30/2018	Indefinitely	\$71 per inmate	\$ 145,020	Cibola County	None	Cibola County
4/30/2009	Indefinitely	\$ 51,947	\$ 69,966	Village of Milan	Village of Milan	Village of Milan



**COMPLIANCE SECTION**



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**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. Colón,  
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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2019.

**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 deficiency described in the accompanying schedule of findings and questioned costs as 2017-02 to a be material weakness.

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.

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**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, 2017-06 and 2019-01.

## **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 questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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



Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
December 16, 2019

**FEDERAL FINANCIAL ASSISTANCE**

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**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. Colón  
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, 2019. 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.

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**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, 2019.

### ***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  
December 16, 2019

STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity #	Federal CFDA Number	Federal Expenditures
<b>U.S. Environmental Protection Agency</b>			
Passed through NM Environment Department:			
Clean Water State Revolving Funds (M)	CWSRF -29	66.458	\$ 2,255,216
Clean Water State Revolving Funds (M)	CWSRF -77	66.458	226,252
Clean Water State Revolving Funds (M)	CWSRF -78	66.458	205,635
<b>Total U.S. Environmental Protection Agency</b>			<u>2,687,103</u>
<b>U.S. Department of Transportation</b>			
Direct Programs:			
Airport Improvement Program	3-35-0020-016-2017	20.106	149,033
<b>Total U.S. Department of Transportation</b>			<u>149,033</u>
<b>U.S. Department of Health</b>			
Passed through State of New Mexico Agency on Aging:			
Federal Title III B	2018-2019	93.044	51,974
Federal Title III C (1)	2018-2019	93.045	30,072
Federal Title III C (2)	2018-2019	93.045	15,095
Nutrition Services Incentive Program	2018-2019	93.053	35,658
<b>Total U.S. Department of Health</b>			<u>132,799</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,968,935</u>

(M) Denotes Major Federal Financial Assistance Program

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2019**

**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, 2019. 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, 2019**

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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: Material Weakness reported?	Yes
Significant deficiencies reported not 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 considered to be material weaknesses?	None
c. Known questioned costs greater than \$25,000 for a compliance requirement for a major program?	No
d. Known questioned costs greater than \$25,000 for 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 for each major program to be modified, unless otherwise reported as an audit finding?	No
h. Instances where results of audit follow-up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresent the status of any prior audit finding?	No
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs:	
Clean Water State Revolving Funds	CFDA 66.458
Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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

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**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 count of capital assets has been performed and about 80% of the assets have been entered into the new accounting software. The City is working with an outside accounting firm to ensure that correct balances are entered into the new accounting software.

**TIMELINE OF CORRECTIVE ACTION PLAN:** April 30, 2020

**RESPONSIBLE OFFICIAL:** Finance Director

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

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None.

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2019**

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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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**2017-006 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:

- Local Government Corrections (20100) - \$72,041
- Cibola Senior Citizens (21900) - \$30,181
- Senior Companion Program (21901) - \$120,504
- Foster Grandparents (21902) - \$105,883
- Senior Employment Program (21903) - \$35,245
- Litter Control and Beautification (29900) - \$800
- General Government Improvements (39900) - \$5,407,790

The City has not made significant progress in correcting this audit 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 implemented a new accounting software in January 2019 and hired an outside accounting firm to assist with transferring the appropriate beginning balances into the new software. The deficit fund balances are from years past and transfers will be made to ensure that all negative fund balance issues are corrected. Current budget monitoring is ongoing.

**TIMELINE OF CORRECTIVE ACTION PLAN:** February 29, 2020

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2019**

**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 (21400) - \$68,384

The City has made significant progress 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:** The necessary Budget Adjustment Request to correct this was not completed at year end.

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

**MANAGEMENT RESPONSE:** With the implementation of the new accounting software, reports can be generated that will show budget versus actual thus allowing for the appropriate budget adjustment requests to be submitted as necessary in a timely fashion.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Ongoing

**RESPONSIBLE OFFICIAL:** Finance Director

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**

**2019-001 Federal Form I-9**

**CONDITION:** In a review of twenty-five personnel files we noted the following items related to the completion of the Federal Form I-9:

- One employee did not sign the Form I-9.
- One employee did not date the Form I-9.
- One Form I-9 had no dates listed as to when the employee and the employer signed the form.

**CRITERIA:** The Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens.

**CAUSE:** Personnel files were not being reviewed for completeness.

**EFFECT:** The City was not in compliance with federal requirements to maintain a properly completed Form I-9 for all employees.

**MANAGEMENT RESPONSE:** All current personnel files will be reviewed to verify that every I-9 as well as any other documentation requiring signatures and dates is appropriately completed. New employee files will be reviewed as well.

**TIMELINE OF CORRECTIVE ACTION PLAN:** March 31, 2020

**RESPONSIBLE OFFICIAL:** Human Resources Director

**CITY OF GRANTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2019**

**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) – *Resolved*

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

2017-003 – Internal Controls over Financial Reporting (Material Weakness) – *Resolved*

2017-004 – Late Audit Report (Other Noncompliance) – *Resolved*

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

2018-001 – Controls Over Cash Disbursements (Finding that does not rise to the level of a Significant Deficiency) – *Resolved*

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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
EXIT CONFERENCE  
JUNE 30, 2019**

**EXIT CONFERENCE**

An exit conference was held on December 16, 2019 with the City of Grants. The overall results of the audit and related findings were discussed. The following individuals were present during the meeting:

**Representing the City of Roswell**

Martin Hicks	Mayor
Laura Jaramillo	City Manager
Kimberly Simpson	Finance Director

**Pattillo, Brown and Hill, LLP**

Chris Garner, CPA	Partner
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**PREPARATION OF FINANCIAL STATEMENTS**

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