

**STATE OF NEW MEXICO  
City of Grants  
ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS



## **INTRODUCTORY SECTION**

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CITY OF GRANTS  
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JUNE 30, 2020**

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**STATE OF NEW MEXICO  
CITY OF GRANTS  
OFFICIAL ROSTER  
JUNE 30, 2020**

**City Council**

<b><u>Name</u></b>		<b><u>Title</u></b>
Martin Hicks		Mayor
Rick Lucero		Mayor Pro-Tem
Fred Padilla		Councilor
Erik Garcia		Councilor
Fred Rodarte		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, 2020, 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, 2020, 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 61 to 63 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 15, 2020 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, LLP*

Pattillo, Brown & Hill, L.L.P  
Albuquerque, New Mexico  
December 15, 2020

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
June 30, 2020**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Assets</b>			
Current assets			
Cash, cash equivalents and investments	\$ 5,219,594	2,290,470	7,510,064
Cash, restricted	541,194	1,717,480	2,258,674
Receivables:			
Property taxes receivable	41,202	-	41,202
Other taxes receivable	1,431,457	-	1,431,457
Grants Receivable	23,757	-	23,757
Accounts receivable	-	49,033	49,033
Due from other funds	-	-	-
Prepays	-	-	-
Inventory	-	62,534	62,534
Total current assets	<u>7,257,204</u>	<u>4,119,517</u>	<u>11,376,721</u>
Noncurrent assets			
Capital assets	96,911,432	56,762,419	153,673,851
Less: accumulated depreciation	<u>(26,943,964)</u>	<u>(24,949,459)</u>	<u>(51,893,423)</u>
Total noncurrent assets	<u>69,967,468</u>	<u>31,812,960</u>	<u>101,780,428</u>
Total Assets	<u>77,224,672</u>	<u>35,932,477</u>	<u>113,157,149</u>
<b>Deferred Outflows</b>			
Pension Related	<u>1,516,850</u>	<u>211,974</u>	<u>1,728,824</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF NET POSITION  
June 30, 2020**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Liabilities</b>			
Current liabilities			
Accounts payable	1,386,083	278,487	1,664,570
Bank overdraft	-	-	-
Accrued payroll expenses	323,040	28,461	351,501
Other accrued liabilities	20,339	-	20,339
Accrued compensated absences	314,922	66,560	381,482
Meter and other deposits	-	218,700	218,700
Current portion of bonds and notes payable	50,235	211,052	261,287
Total current liabilities	<u>2,094,619</u>	<u>803,260</u>	<u>2,897,879</u>
Noncurrent liabilities			
Accrued compensated absences	78,731	16,640	95,371
Bonds and notes payable	1,905,349	21,088,633	22,993,982
Net pension liability	8,046,479	1,113,817	9,160,296
Net OPEB Liability	277,610	-	277,610
Total noncurrent liabilities	<u>10,308,169</u>	<u>22,219,090</u>	<u>32,527,259</u>
Total liabilities	<u>12,402,788</u>	<u>23,022,350</u>	<u>35,425,138</u>
<b>Deferred Inflows</b>			
Pension Related	704,010	76,175	780,185
Total Deferred Inflows	<u>704,010</u>	<u>76,175</u>	<u>780,185</u>
<b>Net Position</b>			
Net investment in capital assets	68,011,884	31,812,960	99,824,844
Restricted for			
Debt service	365,000	-	365,000
Capital projects	-	-	-
Other purposes - special revenue	313,535	-	313,535
Subsequent years expenditures	751,175	-	751,175
Unrestricted	<u>(3,806,870)</u>	<u>(18,767,034)</u>	<u>(22,573,904)</u>
Total Net Position	<u>\$ 65,634,724</u>	<u>13,045,926</u>	<u>78,680,650</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 3,629,930	1,318,294	676,784	88,436
Public safety	4,676,178			-
Public works	2,918,597		324,915	1,167,421
Culture and recreation	2,070,033			34,400
Health and welfare	874,003	-		-
Interest on long-term debt	6,913	-	-	-
<i>Total government Activities</i>	<u>14,175,653</u>	<u>1,318,294</u>	<u>1,001,699</u>	<u>1,290,257</u>
<b>Business-type Activities</b>				
Golf Course	373,918	-	-	-
Utilities	6,649,089	6,485,459	-	-
Airport	851,424	277,068	-	-
<i>Total business-type activities</i>	<u>7,874,431</u>	<u>6,762,527</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 22,050,084</u>	<u>8,080,821</u>	<u>1,001,699</u>	<u>1,290,257</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)				
<b>Total general revenues and transfers</b>				
<b>Change in net position</b>				
<b>Net position, beginning</b>				
<b>Net position, ending</b>				

See Notes to Financial Statements.



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

**Primary Government**

Governmental Activities	Business-Type Activities	Total
(1,546,416)	-	(1,546,416)
(4,676,178)	-	(4,676,178)
(1,426,261)	-	(1,426,261)
(2,035,633)	-	(2,035,633)
(874,003)	-	(874,003)
(6,913)	(189,901)	(196,814)
<u>(10,565,403)</u>	<u>(189,901)</u>	<u>(10,755,304)</u>
-	(373,918)	(373,918)
-	(163,630)	(163,630)
-	(574,356)	(574,356)
-	<u>(1,111,904)</u>	<u>(1,111,904)</u>
<u>(10,565,403)</u>	<u>(1,301,805)</u>	<u>(11,867,208)</u>
451,016	-	451,016
7,520,985	-	7,520,985
45,877	-	45,877
896,180	-	896,180
145,546	27,127	172,673
107,603	-	107,603
508,827	280,434	789,261
816,483	(816,483)	-
<u>10,492,517</u>	<u>(508,922)</u>	<u>9,983,595</u>
<u>(72,886)</u>	<u>(1,810,727)</u>	<u>(1,883,613)</u>
<u>65,707,610</u>	<u>14,856,653</u>	<u>80,564,263</u>
\$ <u>65,634,724</u>	<u>13,045,926</u>	<u>78,680,650</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020**

	General Fund 11000	General Government Improvements 39900
	<u>11000</u>	<u>39900</u>
<i>Assets</i>		
Cash, cash equivalents and investments	\$ 4,721,410	332,446
Cash, restricted	-	176,194
Receivables:		
Property taxes	41,202	-
Other taxes receivable	1,233,635	-
Grants Receivable- State	23,757	-
	<u>6,020,004</u>	<u>508,640</u>
<i>Total assets</i>	<u>\$ 6,020,004</u>	<u>508,640</u>
<i>Liabilities and Fund Balances</i>		
<i>Liabilities</i>		
Accounts payable	\$ 32,302	1,214,173
Accrued payroll expenses	311,303	-
Other accrued expenses	20,339	-
	<u>363,944</u>	<u>1,214,173</u>
<i>Total liabilities</i>	<u>363,944</u>	<u>1,214,173</u>
<i>Deferred Inflows</i>		
Unearned revenue - property taxes	-	-
	<u>-</u>	<u>-</u>
<i>Total Deferred Inflows</i>	<u>-</u>	<u>-</u>
	<u>363,944</u>	<u>1,214,173</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>363,944</u>	<u>1,214,173</u>
<i>Fund balances</i>		
Nonspendable	-	-
Spendable		
Restricted	751,175	-
Unassigned	4,904,885	(705,533)
	<u>5,656,060</u>	<u>(705,533)</u>
<i>Total fund balances</i>	<u>5,656,060</u>	<u>(705,533)</u>
	<u>\$ 6,020,004</u>	<u>508,640</u>
<i>Total liabilities and fund balances</i>	<u>\$ 6,020,004</u>	<u>508,640</u>

See Notes to Financial Statements.

Other Governmental Funds	Total Governmental Funds
165,738	5,219,594
365,000	541,194
-	41,202
197,822	1,431,457
-	23,757
<u>728,560</u>	<u>7,257,204</u>
139,608	1,386,083
11,737	323,040
-	20,339
<u>151,345</u>	<u>1,729,462</u>
-	-
-	-
<u>151,345</u>	<u>1,729,462</u>
-	-
678,535	1,429,710
(101,320)	4,098,032
<u>577,215</u>	<u>5,527,742</u>
<u>728,560</u>	<u>7,257,204</u>



**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, 2020**

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

Fund balances - total governmental funds	\$ 5,527,742
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds	1,516,850
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	69,967,468
Defined benefit pension plan deferred inflows are not payable in the current period and, therefore, not reported in the funds.	(704,010)
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	(8,046,479)
Net OPEB Liability	(277,610)
Accrued compensated absences	(393,653)
Bonds and notes payable	<u>(1,955,584)</u>
Net position of governmental activities	<u>\$ 65,634,724</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, 2020**

	General Fund 11000	General Government Improvements 39900
<i>Revenues</i>		
Taxes:		
Property	\$ 554,891	-
Gross receipts	6,907,138	-
Gasoline and motor vehicle	45,877	-
Other taxes	427,620	-
Intergovernmental		
Federal operating grants	-	-
Federal capital grants	-	1,167,421
State operating grants	197,636	-
State capital grants	88,436	-
Charges for services	1,246,590	-
Licenses and fees	71,704	-
Fines, forfeitures, and penalties	85,413	-
Investment income	141,064	4,482
Miscellaneous	60,074	350,807
<i>Total revenues</i>	<u>9,826,443</u>	<u>1,522,710</u>
<i>Expenditures:</i>		
Current:		
General government	2,602,569	-
Public safety	3,509,681	-
Public works	1,478,803	-
Culture and recreation	1,576,583	-
Health and welfare	12,891	-
Capital outlay	-	10,981,461
Debt service		
Principal	-	-
Interest and other charges	-	-
<i>Total expenditures</i>	<u>9,180,527</u>	<u>10,981,461</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>645,916</u>	<u>(9,458,751)</u>
Other Financing Sources (Uses)		
Proceeds from loans	-	1,432,244
Transfers, in	16,481,205	28,104,653
Transfers, out	<u>(27,827,717)</u>	<u>(15,375,889)</u>
<i>Total other financing sources (uses)</i>	<u>(11,346,512)</u>	<u>14,161,008</u>
<i>Net change in fund balances</i>	(10,700,596)	4,702,257
<i>Fund balances (deficits) - beginning of year</i>	<u>16,356,656</u>	<u>(5,407,790)</u>
<i>Fund balances (deficits), end of year</i>	<u>\$ 5,656,060</u>	<u>(705,533)</u>

See Notes to Financial Statements.

Other Governmental Funds	Total Governmental Funds
-	554,891
613,847	7,520,985
	45,877
468,560	896,180
324,915	324,915
-	1,167,421
479,148	676,784
34,400	122,836
-	1,246,590
-	71,704
22,190	107,603
-	145,546
97,944	508,825
<u>2,041,004</u>	<u>13,390,157</u>
75,613	2,678,182
504,191	4,013,872
465,999	1,944,802
315,392	1,891,975
740,198	753,089
-	10,981,461
47,295	47,295
6,913	6,913
<u>2,155,601</u>	<u>22,317,589</u>
<u>(114,597)</u>	<u>(8,927,432)</u>
-	1,432,244
1,551,824	46,137,682
<u>(2,117,593)</u>	<u>(45,321,199)</u>
<u>(565,769)</u>	<u>2,248,727</u>
(680,366)	(6,678,705)
<u>1,257,581</u>	<u>12,206,447</u>
<u>577,215</u>	<u>5,527,742</u>

**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, 2020**

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

Net change in fund balances - total governmental funds	\$ (6,678,705)
Defined benefit pension plan deferred outflows are not financial resources and therefore are not reported in the funds	
Change in Pension expense	(763,070)
Change in OPEB expense	(106,669)
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	10,981,461
Depreciation expense	(1,947,009)
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	(103,875)
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	(70,070)
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:	
Loan proceeds	(1,432,244)
Principal payments on bonds and notes payable	<u>47,295</u>
Change in net position of governmental activities	<u>\$ (72,886)</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-101  
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original Budget	Final Budget	Actual Amount	
<b>Revenues:</b>				
Taxes:				
Property	\$ 510,000	510,000	554,891	44,891
Gross Receipts	6,242,000	6,242,000	6,907,139	665,139
Other Taxes	405,000	405,000	473,497	68,497
Intergovernmental				
State Operating Grants	158,500	158,500	197,636	39,136
Charges for Services	1,396,400	1,396,400	1,246,590	(149,810)
Licenses and Fees	78,000	78,000	71,704	(6,296)
Fines, Forfeitures, and Penalties	109,000	109,000	85,413	(23,587)
Investment Income	129,000	129,000	141,064	12,064
Miscellaneous	953,500	953,500	60,074	(893,426)
<b>Total Revenues</b>	<u>9,981,400</u>	<u>9,981,400</u>	<u>9,738,008</u>	<u>(243,392)</u>
<b>Expenditures:</b>				
Current:				
General Government	5,627,786	5,628,186	2,602,569	3,025,617
Public Safety	3,435,360	3,435,960	3,509,681	(73,721)
Public Works	2,238,820	2,238,820	1,478,803	760,017
Culture and Recreation	1,478,030	1,478,030	1,576,583	(98,553)
Health and Welfare	299,142	299,342	12,891	286,451
<b>Total Expenditures</b>	<u>13,079,138</u>	<u>13,080,338</u>	<u>9,180,527</u>	<u>3,899,811</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(3,097,738)</u>	<u>(3,098,938)</u>	<u>557,481</u>	<u>3,656,419</u>
<b>Other Financing Sources (Uses):</b>				
Transfers, In	2,000,000	2,000,000	16,481,204	14,481,204
Transfers, Out	(1,320,000)	(1,320,000)	(27,827,717)	(26,507,717)
<b>Total Other Financing sources (Uses):</b>	<u>680,000</u>	<u>680,000</u>	<u>(11,346,513)</u>	<u>(12,026,513)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (2,417,738)</u>	<u>(2,418,938)</u>	<u>(10,789,032)</u>	<u>(8,370,094)</u>
<b>Reconciliation to GAAP Basis:</b>				
Adjustments to Revenues			88,436	
Adjustments to Expenditures			-	
<b>NET CHANGE IN FUND BALANCE</b>			<u>(10,700,596)</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, 2020**

	Airport 50400	Utilities 50100
<b>Assets</b>		
Current Assets		
Cash, cash equivalents and investments	\$ 41,888	2,247,430
Cash, restricted	-	1,717,480
Other receivables	-	49,033
Inventory	-	62,534
Total current assets	<u>41,888</u>	<u>4,076,477</u>
Noncurrent assets		
Capital assets	4,335,752	50,197,197
Less: accumulated depreciation	(60,887)	(23,370,092)
Total noncurrent assets	<u>4,274,865</u>	<u>26,827,105</u>
Total assets	<u>4,316,753</u>	<u>30,903,582</u>
<b>Deferred Outflows</b>		
Pension Related	19,620	86,409
Total Deferred Outflows	<u>19,620</u>	<u>86,409</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	31,907	229,673
Accrued payroll expenses	2,624	10,446
Accrued compensated absences	9,473	24,543
Meter and other deposits	-	218,700
Current portion of bonds and notes payable	-	211,052
Total current liabilities	<u>44,004</u>	<u>694,414</u>
Noncurrent Liabilities		
Accrued compensated absences	2,368	6,136
Bonds and notes payable	-	21,088,633
Net Pension Liability	103,095	454,036
Total noncurrent liabilities	<u>105,463</u>	<u>21,548,805</u>
Total Liabilities	<u>149,467</u>	<u>22,243,219</u>
<b>Deferred Inflows</b>		
Pension Related	7,051	31,052
Total Deferred Inflows	<u>7,051</u>	<u>31,052</u>
<b>Net Position</b>		
Net investment in capital assets	4,274,865	26,827,105
Unrestricted net position	(95,010)	(18,111,385)
Total Net Position	<u>\$ 4,179,855</u>	<u>8,715,720</u>

See Notes to Financial Statements.

Nonmajor Proprietary Funds	Total
1,152	2,290,470
-	1,717,480
-	49,033
-	62,534
<u>1,152</u>	<u>4,119,517</u>
2,229,470	56,762,419
<u>(1,518,480)</u>	<u>(24,949,459)</u>
<u>710,990</u>	<u>31,812,960</u>
<u>712,142</u>	<u>35,932,477</u>
<u>105,945</u>	<u>211,974</u>
<u>105,945</u>	<u>211,974</u>
16,907	278,487
15,391	28,461
32,544	66,560
-	218,700
-	211,052
<u>64,842</u>	<u>803,260</u>
8,136	16,640
-	21,088,633
<u>556,686</u>	<u>1,113,817</u>
<u>564,822</u>	<u>22,219,090</u>
<u>629,664</u>	<u>23,022,350</u>
<u>38,072</u>	<u>76,175</u>
<u>38,072</u>	<u>76,175</u>
710,990	31,812,960
<u>(560,639)</u>	<u>(18,767,034)</u>
<u>150,351</u>	<u>13,045,926</u>

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

	Airport 50400	Utilities 50100
	<u>                    </u>	<u>                    </u>
<i>Operating Revenues</i>		
Charges for Services	\$ -	6,485,459
<b>Total operating revenues</b>	<u>-</u>	<u>6,485,459</u>
<i>Operating Expenses</i>		
General and administrative	16,478	1,833,848
Personnel services	101,487	559,904
Contractual services	2,498	3,257,396
Supplies and purchased power	152,701	102,164
Maintenance and materials	63,817	184,970
Utilities	820	417,693
Depreciation	36,117	293,114
<i>Total operating expenses</i>	<u>373,918</u>	<u>6,649,089</u>
<i>Operation income (loss)</i>	<u>(373,918)</u>	<u>(163,630)</u>
<i>Non-operating revenues (expenses)</i>		
Interest income	-	27,127
Interest expense	-	(189,901)
Miscellaneous	198,482	81,952
<b>Total non-operating revenues (expenses)</b>	<u>198,482</u>	<u>(80,822)</u>
Income (Loss) Before Contributions and Transfers	<u>(175,436)</u>	<u>(244,452)</u>
<i>Other Financing Sources (Uses)</i>		
Transfers in	173,454	13,286,170
Transfers out	(50,115)	(14,808,888)
<i>Net transfers</i>	<u>123,339</u>	<u>(1,522,718)</u>
<b>Change in net position</b>	(52,097)	(1,767,170)
Net position - beginning	<u>4,231,952</u>	<u>10,482,890</u>
<i>Net position, end of year</i>	<u>\$ <u>4,179,855</u></u>	<u><u>8,715,720</u></u>

See Notes to Financial Statements.

Nonmajor Proprietary Funds	Total
<u>277,068</u>	<u>6,762,527</u>
<u>277,068</u>	<u>6,762,527</u>
760,547	2,610,873
-	661,391
-	3,259,894
-	254,865
-	248,787
72,307	490,820
<u>18,570</u>	<u>347,801</u>
<u>851,424</u>	<u>7,874,431</u>
<u>(574,356)</u>	<u>(1,111,904)</u>
-	27,127
-	(189,901)
-	<u>280,434</u>
<u>-</u>	<u>117,660</u>
<u>(574,356)</u>	<u>(994,244)</u>
587,965	14,047,589
<u>(5,069)</u>	<u>(14,864,072)</u>
<u>582,896</u>	<u>(816,483)</u>
8,540	(1,810,727)
<u>141,811</u>	<u>14,856,653</u>
<u>150,351</u>	<u>13,045,926</u>

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

	Airport 50400	Utilities 50100
<b>Cash Flows From Operating Activities</b>		
Cash received from customers and others	\$ 18,915	6,962,682
Cash paid for goods and services	(313,883)	(6,319,360)
<b>Net cash provided by operating activities</b>	<u>(294,968)</u>	<u>643,322</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	-	27,127
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>27,127</u>
<b>Cash Flows From Non-Capital Financing</b>		
Miscellaneous income	198,482	81,952
Transfers	123,339	(1,522,718)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>321,821</u>	<u>(1,440,766)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Debt payment	-	2,637,460
Interest paid	-	(189,901)
<b>Net cash used by capital and related financing activities</b>	<u>-</u>	<u>2,447,559</u>
Net decrease in cash and cash equivalents	26,853	1,677,242
Cash and restricted cash and cash equivalents, beginning of year	15,035	2,287,668
<b>Cash and restricted cash and cash equivalents, end of year</b>	<u>\$ 41,888</u>	<u>3,964,910</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (373,918)	(163,630)
Adjustments to operating (loss) income to net cash provided by operating activities:		
Depreciation	36,117	293,114
Change in assets and liabilities:		
Receivables	16,196	477,223
Inventory	-	(1,769)
Deferred outflows	11,703	20,283
Accounts payable	(1,030)	(62,545)
Accrued payroll	374	2,282
Deposits	-	(38,385)
Compensated absences	11,841	(5,935)
Net pension liability	(2)	102,871
Deferred inflows	3,751	19,813
<b>Net cash provided by operating activities</b>	<u>\$ (294,968)</u>	<u>643,322</u>

Nonmajor Proprietary Funds	Total
344,930	7,326,527
<u>(840,894)</u>	<u>(7,474,137)</u>
<u>(495,964)</u>	<u>(147,610)</u>
-	27,127
-	<u>27,127</u>
-	280,434
<u>582,896</u>	<u>(816,483)</u>
<u>582,896</u>	<u>(536,049)</u>
-	2,637,460
-	<u>(189,901)</u>
-	<u>2,447,559</u>
86,932	1,791,027
<u>(85,780)</u>	<u>2,216,923</u>
<u>1,152</u>	<u>4,007,950</u>
(574,356)	(1,111,904)
18,570	347,801
-	493,419
-	(1,769)
75,790	107,776
13,602	(49,973)
1,016	3,672
-	(38,385)
(8,040)	(2,134)
(41,474)	61,395
<u>18,928</u>	<u>42,492</u>
<u>(495,964)</u>	<u>(147,610)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020, 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, 2020**

**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, 2020 in the proprietary funds was \$62,535.

**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, 2020**

**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, 2020, 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, 2020**

**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, 2020, 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, 2020, 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, 2020, the restricted fund balance on the governmental funds balance sheet is made up of \$751,175 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, 2020**

**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 ACCOUNTIBILITY**

**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  
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JUNE 30, 2020**

**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, 2020.

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, 2020, \$1,555,652 of the City's bank balances of \$4,055,652 were exposed to custodial credit risk. \$2,303,861 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, 2020**

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

**Deposits with the New Mexico Finance Authority.** The City has deposits of \$1,305,039 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	Total
Amount of Deposits	\$ 1,026,320	1,003,444	2,029,764
Certificates of Deposit	-	2,025,888	2,025,888
Less: FDIC Coverage	<u>(250,000)</u>	<u>(2,250,000)</u>	<u>(2,500,000)</u>
Total uninsured public funds	<u>776,320</u>	<u>779,332</u>	<u>1,555,652</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>2,029,960</u>	<u>273,901</u>	<u>2,303,861</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>505,431</u>	<u>505,431</u>
Collateral requirement (50% of uninsured public funds)	<u>\$ 388,160</u>	<u>389,666</u>	<u>777,826</u>
Pledged collateral	<u>2,029,960</u>	<u>273,901</u>	<u>2,303,861</u>
Over (under) collateralized	<u>\$ 1,641,800</u>	<u>(115,765)</u>	<u>1,526,035</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, 2020**

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

The City’s investments at June 30, 2020 include the following:

Investments	Rated	Weighted Average Maturity (R)	Weighted Average Maturity (F)	Fair Market Value
LGIP	*AAAm	25 Days	77 Days	\$ 4,740,366
Certificates of Deposit				2,025,888
				<u>\$ 6,766,254</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	\$ 7,510,064
Restricted cash	2,258,674
Plus, outstanding checks	342,172
Less: deposits in transit	(9,353)
Less: petty cash	(500)
Less: NMFA deposits	(1,305,039)
Less: investment in LGIP	(4,740,366)
Bank balance of deposits	<u>\$ 4,055,652</u>
Demand Deposits – Bank Balance	\$ 2,029,764
Certificates of Deposit – Bank Balance	2,025,888
Total Bank Balance	<u>\$ 4,055,652</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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020:

	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	\$ 4,740,366	-	-	4,740,366
Certificates of Deposit	2,025,888	-	-	2,025,888
Total Assets at fair value	\$ <u>6,766,254</u>	<u>-</u>	<u>-</u>	<u>6,766,254</u>

**NOTE 4 – RECEIVABLES**

Governmental funds receivables as of June 30, 2020 are shown as follows:

	General	Capital Improvements	Nonmajor	Total
			Governmental Funds	
Property Taxes	\$ 41,202	-	-	41,202
Other Taxes	1,233,635	-	197,822	1,431,457
Intergovernmental grants:				
State	23,757	-	-	23,757
Totals by category	\$ <u>1,298,593</u>	<u>-</u>	<u>197,823</u>	<u>1,496,416</u>

In accordance with GASB 33 property tax revenues in the amount of \$-0- 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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – RECEIVABLES (CONTINUED)**

Proprietary fund receivables as of June 30, 2020 are shown as follows:

	<u>Utilities</u>	<u>Total</u>
Customer receivables	\$ 129,898	129,898
Other	-	-
Less: Allowance for doubtful accounts	<u>(80,865)</u>	<u>(80,865)</u>
Total by category	\$ <u>49,033</u>	<u>49,033</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	\$ 16,481,205	\$ 27,827,717
General Government Improvements	28,104,653	15,375,889
Non-major Funds		
Cemetery Perpetual Care	-	223,719
Cibola Senior Citizens	284,361	217
Emergency Medical Service	-	8,784
Fire Protection	96	130,617
Foster Grandparents	110,554	-
Gasoline Road Tax	530,000	1,509,173
Law Enforcement Protection	-	201
Litter Control & Beautification	9,002	4,259
Local Government Corrections	228,413	-
Lodgers' Tax	15,530	-
Senior Companion Program	129,832	-
Senior Employment Program	36,382	2,672
Special Library Donation	-	10,856
NMFA Loan – Debt Service	207,654	227,095
<b>Total Governmental Activities</b>	<b>\$ <u>46,137,682</u></b>	<b>\$ <u>45,321,199</u></b>
<i>Business-type Activities</i>		
Utility	13,286,170	14,808,888
Airport	173,454	50,115
Golf Course	587,965	5,069
<b>Total Business-Type Activities</b>	<b><u>14,047,589</u></b>	<b><u>14,864,072</u></b>
<b>Total</b>	<b>\$ <u>60,185,271</u></b>	<b>\$ <u>60,185,271</u></b>

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, 2020**

**NOTE 6 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2020, 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, 2019	Additions	Deletions	Balance June 30, 2020
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Art	\$ 122,897	-	-	122,897
Land	3,453,636	-	-	3,453,636
Construction in progress	16,069,375	5,435,663	-	21,505,038
Total	19,645,908	5,435,663	-	25,081,571
Capital Assets being depreciated:				
Land improvements	6,375,309	194,601	-	6,569,910
Buildings and improvements	15,922,128	-	-	15,922,128
Machinery and equipment	9,491,144	772,298	-	10,263,442
Software	63,649	-	-	63,649
Infrastructure	34,431,833	4,578,899	-	39,010,732
Total	66,284,063	5,545,798	-	71,829,861
Less accumulated depreciation:				
Land improvements	2,458,292	178,083	-	2,636,375
Buildings and improvements	5,860,048	431,583	-	6,291,631
Machinery and equipment	7,506,894	278,199	-	7,785,093
Software	6,856	1,725	-	8,581
Infrastructure	9,164,865	1,057,419	-	10,222,284
Total	24,996,955	1,947,009	-	26,943,964
Total capital assets, net	\$ 60,933,016	9,034,452	-	69,967,468

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

Depreciation expense for the year ended June 30, 2020 was charged to governmental activities as follows:

General government	\$	690,333
Public safety		227,436
Health and welfare		120,914
Public works		860,729
Culture and recreation		47,597
Total depreciation expense	\$	<u>1,947,009</u>

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<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>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	3,436,161	-	-	3,436,161
Infrastructure	32,592,006	-	-	32,592,006
Total	<u>41,753,330</u>	<u>-</u>	<u>-</u>	<u>41,753,330</u>
Less accumulated depreciation:				
Land improvements	1,321,799	39,870	-	1,361,669
Buildings and improvements	498,456	7,820	-	506,276
Machinery and equipment	3,093,917	28,622	-	3,122,539
Infrastructure	19,687,484	271,490	-	19,958,974
Total	<u>24,601,656</u>	<u>347,801</u>	<u>-</u>	<u>24,949,458</u>
Total capital assets, net of depreciation	<u>\$ 32,160,762</u>	<u>(347,801)</u>	<u>-</u>	<u>31,812,960</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	\$ 36,117
Utilities	293,114
Golf	<u>18,570</u>
Total depreciation expense	<u>\$ 347,801</u>

**NOTE 8 – LONG TERM DEBT**

**Governmental Activities.** During the year ended June 30, 2020, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
NMFA – Fire Truck 4802	365,000	-	47,295	317,705	50,235
NMED-- CWSRF 078	205,635	1,432,244	-	1,637,879	-
Compensated Absences	323,583	339,014	268,944	393,653	314,922
Totals	\$ <u>894,218</u>	<u>1,771,258</u>	<u>316,239</u>	<u>2,349,237</u>	<u>365,157</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 2020, compensated absences in the governmental activities increased \$70,070 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities

**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 \$54,208. 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, 2020, \$1,637,879 in loan funds have been disbursed, \$362,121 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, 2020. An amortization schedule will be provided upon completion.

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

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

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2020
NMFA – Fire Truck 4802	365,000	5/1/2026	9.850%	317,705
NMED – CWSRF 078	2,000,000	1/9/2021	1.200%	1,637,879
Total				<u>\$ 1,955,584</u>

**Debt Service Requirements.** Debt service requirements on long-term debt for governmental activities at June 30, 2020 are as follows:

<b>Notes Payable</b>			
Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2021	\$ 50,235	3,973	54,208
2022	51,315	2,893	54,208
2023	52,474	1,734	54,208
2024	53,718	490	54,208
2025	54,954	137	55,091
2026	55,009	28	55,037
Total	<u>\$ 317,705</u>	<u>9,255</u>	<u>326,960</u>

**Business-Type Activities.** During the year ended June 30, 2020, the following changes occurred in the liabilities reported in the proprietary funds statement of net position:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Revenue bonds	\$ 352,737	-	24,397	328,341	24,458
NMED - CWSRF 029	12,559,909	2,690,626	-	15,250,535	-
NMED - CWSRF 077	226,252	93,898	-	320,150	-
NMFA – Water Meters 4816	5,523,326	-	122,667	5,400,659	186,594
Compensated absences	85,335	55,583	57,717	83,200	66,560
Totals	<u>\$ 18,747,559</u>	<u>2,840,107</u>	<u>204,781</u>	<u>21,382,885</u>	<u>277,612</u>

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

**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 2020, compensated absences in the business-type activities decreased \$2,134 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.

**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, 2020 the City has drawn down \$15,250,535. The project was not complete as of June 30, 2020.

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

**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, 2020, \$320,150 in loan funds have been disbursed, \$738,850 in loan funds remain; \$9,022 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, 2020. An amortization schedule will be provided upon completion.

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

Description	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2020
Revenue Bond 194 WTB	168,438	6/1/2031	0.25%	\$ 93,680
Revenue Bond 152 WTB	40,000	6/1/2030	0.25%	20,250
Revenue Bond 315 WTB	280,000	6/1/2035	0.25%	214,411
NMFA – Water Meters 4816	5,523,326	5/1/2034	2.87%	5,400,659
Subtotal				<u>5,729,000</u>
<b>Interim loans:</b>				
NMED – CWSRF 029	15,500,000	1/8/2021	0.000%	15,250,535
NMED – CWSRF 077	1,059,000	1/8/2021	2.000%	320,150
Total				\$ <u>21,299,685</u>

**Debt Service Requirements.** Debt service requirements on long-term debt for business-type activities, excluding the interim loans, at June 30, 2020 are as follows:

<b>Long term debt</b>			
Fiscal Year Ending June 30,	Principal Payment	Interest Fee	Total Debt Service
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	315,205	128,724	443,929
2026-2030	2,064,387	522,226	2,273,337
2031-2035	2,356,453	188,408	3,393,351
Total	\$ <u>5,729,000</u>	<u>1,405,514</u>	<u>22,929,372</u>

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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 FY19</b>						
	<b>Employee Contribution Percentage</b>		<b>Employer Contribution Percentage</b>	<b>Pension Factor per year of Service</b>		<b>Pension Maximum as a Percentage of the Final Average Salary</b>
	<b>Annual Salary less than \$20,000</b>	<b>Annual Salary greater than \$20,000</b>		<b>TIER 1</b>	<b>TIER 2</b>	
<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, 2020, the City reported a liability of \$9,160,296 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. 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, 2019, the City’s proportion was 0.3586%, which was an increase of 0.05580%, from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$921,738. At June 30, 2020, 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	\$ 143,404	51,742
Changes in assumptions	213,273	11,780
Net difference between projected and actual earnings on pension plan investments	161,175	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	148,110	263,595
City’s contributions subsequent to the measurement date	278,943	-
Total	<u>\$ 944,905</u>	<u>327,117</u>

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

\$278,943 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, 2020. 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:	
2021	\$ 253,360
2022	65,483
2023	(6,516)
2024	26,518
2025	-
Thereafter	-

**PERA Fund Municipal Police Division.** At June 30, 2019, the City's proportion was 0.3586%, which was a decrease of 0.0202%, from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$412,590. At June 30, 2020, 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	\$ 110,662	112,838
Changes in assumptions	150,251	6,739
Net difference between projected and actual earnings on pension plan investments	82,716	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	64,077	137,377
City's contributions subsequent to the measurement date	185,152	-
Total	<u>\$ 592,858</u>	<u>256,954</u>



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

\$185,152 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, 2020. 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:		
2021	\$	13,065
2022		64,520
2023		59,592
2024		13,575
2025		-
Thereafter		-

**PERA Fund Municipal Fire Division.** At June 30, 2019, the City's proportion was 0.2515%, which was a decrease of 0.0108%, from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$158,104. At June 30, 2020, 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	\$	29,355	54,619
Changes in assumptions		47,421	2,735
Net difference between projected and actual earnings on pension plan investments		27,640	-
Changes in proportion and differences between City's contributions and proportionate share of contributions		3,196	138,760
City's contributions subsequent to the measurement date		83,449	-
Total	\$	<b>191,061</b>	<b>196,114</b>

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

\$83,449 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, 2020. 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:	
2021	\$ (65,286)
2022	(26,332)
2023	(1,394)
2024	4,510
2025	-
Thereafter	-

**Actuarial assumptions.** The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization period	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
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, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board use in the June 30, 2018 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	20.0%	6.48%
Multi-Risk Allocation	1.30%	
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, 2019. 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*

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of the net pension liability	\$ <u>7,234,041</u>	<u>4,783,028</u>	<u>2,755,143</u>

*PERA Fund Municipal Police Division*

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of the net pension liability	\$ <u>4,008,577</u>	<u>2,648,867</u>	<u>1,539,600</u>

*PERA Fund Municipal Fire Division*

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of the net pension liability	\$ <u>2,290,670</u>	<u>1,728,401</u>	<u>1,267,609</u>

**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 \$19,909 in PERA benefits at June 30, 2020 for the pay period beginning June 16, 2020 and ending June 28, 2020.

**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, 2020, 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 \$277,610 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

**Actuarial assumptions.** The total OPEB liability in the June 30, 2020 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	2.24%
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><u>(29,093)</u></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</b>	<b>Current</b>	<b>1% Increase</b>
	<b>1.24%</b>	<b>Discount Rate</b>	<b>3.24%</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Total OPEB Liability	\$ 284,257	277,610	271,252
Fiduciary net position	-	-	-
Net OPEB liability	\$ <u>284,257</u>	<u>277,610</u>	<u>271,252</u>

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<u>          </u>	<u>Discount Rate</u>	<u>          </u>
Total OPEB Liability	\$ 279,650	277,610	275,624
Fiduciary net position	-	-	-
Net OPEB liability	\$ <u>279,650</u>	<u>277,610</u>	<u>275,624</u>

***OPEB Expense.*** For the year ended June 30, 2020, the Village recognized OPEB expense of \$135,915.

***Payables changes in the net OPEB liability.*** At June 30, 2020, the City did not accrue any payables for OPEB.

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**NOTE 12. – CONTINGENT LIABILITIES**

The City is a defendant in a number of lawsuits as of June 30, 2020. 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 \$1,345,656 of restricted net position, of which \$365,000 is restricted for debt service, \$229,481 is restricted by enabling legislation and \$751,175 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, 2020, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2020 which is the date on which the financial statements were issued.

**NOTE 17. RECENT ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued May 2020 and is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018 and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

**STATE OF NEW MEXICO  
CITY OF GRANTS  
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JUNE 30, 2020**

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

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No. 84, Fiduciary Activities

GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement 90, Majority Equity Interests

GASB Statement 91, Conduit Debt Obligations

GASB Statement 92, Omnibus 2020

GASB Statement 93, Replacement of Interbank Offered Rates

The effective date of GASB Statement No. 87, Leases, is postponed by 18 months.

**NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2020.

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No. 84, Fiduciary Assets

GASB Statement No. 87, Leases

GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

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

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

GASB Statement No. 91, Conduit Debt Obligations.

GASB Statement No. 92, Omnibus 2020

GASB Statement No. 93, Replacement of Interbank Offered Rates



**STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

*GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

*GASB Statement No. 95, Subscription-Based Information Technology Arrangements*

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

**NOTE 19 – GOVERNMENTAL FUND BALANCE**

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

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

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

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

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

*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, 2020**

**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	\$ -		8,890	8,890
Cibola Senior Citizens			74,667	74,667
Emergency Medical Services	-		4,416	4,416
Fire Protection	-		25,355	25,355
Gasoline Road Tax	-		130,046	130,046
Litter Control and Beautification			4,000	4,000
Lodger’s Tax	-		60,774	60,774
Senior Companion Program			3,338	3,338
Senior Employment Program			2,049	2,049
NMFA Loan 40400	-		365,000	365,000
Government Operations	751,175		-	751,175
<b>Unassigned:</b>				
General Operations	4,904,885	(705,533)	-	4,199,352
Foster Grandparents	-		(587)	(587)
Local Government Corrections	-		(100,733)	(100,733)
Total fund balances:	<u>\$ 5,656,060</u>	<u>(705,533)</u>	<u>577,215</u>	<u>5,527,742</u>

**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, 2020.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

Local Government Corrections – \$100,733  
Foster Grandparents – \$587  
General Government Improvements – \$705,533

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

**NOTE 22 – COVID-19**

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to cause market fluctuations. Business continuity and financial markets, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.



**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
June 30, 2020

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	2015 2014
City's Proportion of the Net Pension Liability (Asset)				
Municipal General	0.3586%	0.3028%	0.2862%	0.2479%
Municipal Police	0.3586%	0.3788%	0.3788%	0.3859%
Municipal Fire	0.2515%	0.2623%	0.2855%	0.2727%
City's Proportionate Share of Net Pension Liability (Asset)				
Municipal General	\$ 4,783,028	4,827,753	3,932,630	4,320,082
Municipal Police	2,648,867	2,352,585	2,104,483	3,053,139
Municipal Fire	1,728,401	1,678,885	1,633,472	2,018,650
	<u>\$ 9,160,296</u>	<u>8,859,223</u>	<u>7,670,585</u>	<u>9,391,871</u>
City's Covered Payroll				
Municipal General	\$ 2,848,860	2,510,469	2,459,580	2,168,827
Municipal Police	967,278	786,914	701,850	885,799
Municipal Fire	459,988	406,274	388,012	360,697
	<u>\$ 4,276,126</u>	<u>3,703,657</u>	<u>3,549,442</u>	<u>3,017,048</u>
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll				
Municipal General	167.89%	192.30%	159.89%	133.55%
Municipal Police	273.85%	298.96%	299.85%	230.65%
Municipal Fire	375.75%	413.24%	420.98%	439.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				
Municipal General	70.52%	71.13%	73.74%	76.99%
Municipal Police	70.52%	71.13%	73.74%	76.99%
Municipal Fire	70.52%	71.13%	73.74%	76.99%

\*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, 2020

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

	2020	2019	2018	2017	2016	2015
Contributions in relation to the contractually required contribution						
Municipal General	\$ 278,446	239,750	234,890	239,990	207,123	180,749
Municipal Police	185,152	148,727	132,649	147,970	167,416	152,052
Municipal Fire	83,449	72,723	69,455	74,914	78,091	69,254
	<u>547,047</u>	<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	\$ 278,943	239,827	238,718	239,990	207,123	180,749
Municipal Police	185,152	148,751	171,094	147,970	167,416	152,052
Municipal Fire	83,449	72,360	81,759	74,914	78,091	69,254
	<u>(497)</u>	<u>262</u>	<u>(54,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll						
Municipal General	\$ 2,848,860	2,510,469	2,459,580	2,512,984	2,168,827	1,892,660
Municipal Police	967,278	786,914	701,850	782,910	885,799	804,508
Municipal Fire	459,988	406,274	388,012	346,023	360,697	319,880
	<u>4,276,126</u>	<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	9.77%	9.55%	9.55%	9.55%	9.55%	8.33%
Municipal Police	19.14%	18.90%	18.90%	18.90%	18.90%	18.90%
Municipal Fire	18.14%	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 the City 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, 2020**

**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 2019 report is available at: <http://www.nmpera.org/>



**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2020**

**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.

**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.

**Senior Companion Program** – To account for provision of nutrition services, transportation, information, and referrals. Authorized by City resolution.

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

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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2020**

**DEBT SERVICE FUND**

**NMFA Loan** - To account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

**STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2020**

	Special Revenue		
	Cemetery Perpetual Care 50600	Cibola Senior Citizens 21900	Emergency Medical Services 20600
<i>Assets</i>			
Cash and cash equivalents	\$ 8,890	48,500	4,416
Receivables:			
Other receivables	-	36,172	-
<b>Total assets</b>	<b>\$ 8,890</b>	<b>84,672</b>	<b>4,416</b>
<i>Liabilities</i>			
Accounts payable	\$ -	-	-
Accrued payroll expenses	-	10,005	-
<b>Total liabilities</b>	<b>-</b>	<b>10,005</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>Total Liabilities and Deferred Inflows</b>	<b>-</b>	<b>10,005</b>	<b>-</b>
<i>Fund balances</i>			
Nonspendable	-	-	-
Spendable			
Restricted	8,890	74,667	4,416
Unassigned	-	-	-
<b>Total fund balances</b>	<b>8,890</b>	<b>74,667</b>	<b>4,416</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,890</b>	<b>84,672</b>	<b>4,416</b>

Special Revenue

Fire Protection 20900	Foster Grandparents 21902	Gasoline Road Tax 21600	Law Enforcement Protection 21100	Litter Control and Beautification 29900
35,000	-	1,500	-	4,000
-	-	128,546	-	-
<u>35,000</u>	<u>-</u>	<u>130,046</u>	<u>-</u>	<u>4,000</u>
9,645	-	-	-	-
-	587	-	-	-
<u>9,645</u>	<u>587</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>9,645</u>	<u>587</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
25,355	-	130,046	-	4,000
-	(587)	-	-	-
<u>25,355</u>	<u>(587)</u>	<u>130,046</u>	<u>-</u>	<u>4,000</u>
<u>35,000</u>	<u>-</u>	<u>130,046</u>	<u>-</u>	<u>4,000</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2020**

	Special Revenue		
	Local Government Corrections 20100	Lodgers' Tax 21400	Senior Companion Program 21901
<i>Assets</i>			
Cash and cash equivalents	\$ 1,809	57,623	4,000
Restricted cash			
Receivables:			
Other receivables	-	30,572	-
<i>Total assets</i>	<u>\$ 1,809</u>	<u>88,195</u>	<u>4,000</u>
<i>Liabilities</i>			
Accounts payable	\$ 102,542	27,421	-
Accrued payroll expenses	-	-	662
<i>Total liabilities</i>	<u>102,542</u>	<u>27,421</u>	<u>662</u>
<i>Deferred Inflows - Property Taxes</i>			
Unearned revenue - property taxes	-	-	-
<i>Total Deferred Inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>102,542</u>	<u>27,421</u>	<u>662</u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Spendable			
Restricted	-	60,774	3,338
Unassigned	(100,733)	-	-
<i>Total fund balances</i>	<u>(100,733)</u>	<u>60,774</u>	<u>3,338</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,809</u>	<u>88,195</u>	<u>4,000</u>

Special Revenue			Debt Service	
Senior Employment Program 21903	Special Library Donation 29901	Total Special Revenue Funds	NMFA Loan 40400	Total Nonmajor Governmental Funds
-	-	165,738	-	165,738
			365,000	365,000
2,532	-	197,822	-	197,822
<u>2,532</u>	<u>-</u>	<u>363,560</u>	<u>365,000</u>	<u>728,560</u>
-	-	139,608	-	139,608
483	-	11,737	-	11,737
<u>483</u>	<u>-</u>	<u>151,345</u>	<u>-</u>	<u>151,345</u>
-	-	-	-	-
-	-	-	-	-
483	-	151,345	-	151,345
-	-	-	-	-
2,049	-	313,535	365,000	678,535
-	-	(101,320)	-	(101,320)
<u>2,049</u>	<u>-</u>	<u>212,215</u>	<u>365,000</u>	<u>577,215</u>
<u>2,532</u>	<u>-</u>	<u>363,560</u>	<u>365,000</u>	<u>728,560</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, 2020**

	Special Revenue		
	Cemetery Perpetual Care 50600	Cibola Senior Citizens 21900	Emergency Medical Services 20600
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	-	-
Other	-	-	-
Intergovernmental			
Federal operating grants	-	324,915	-
State operating grants	-	-	8,824
State capital grants	-	34,400	-
Fines, forfeitures, and penalties	-	-	-
Miscellaneous	89,725	185	-
<i>Total revenues</i>	<u>89,725</u>	<u>359,500</u>	<u>8,824</u>
<i>Expenditures:</i>			
Current:			
General government	-	3,072	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Health and welfare	48,157	535,724	40
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>48,157</u>	<u>538,796</u>	<u>40</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>41,568</u>	<u>(179,296)</u>	<u>8,784</u>
Other Financing Sources (Uses)			
Transfers, in	-	284,361	-
Transfers, out	(223,719)	(217)	(8,784)
<i>Total other financing sources (uses)</i>	<u>(223,719)</u>	<u>284,144</u>	<u>(8,784)</u>
<i>Net change in fund balances</i>	(182,151)	104,848	-
<i>Fund balances (deficits) - beginning of year</i>	<u>191,041</u>	<u>(30,181)</u>	<u>4,416</u>
<i>Fund balances (deficits), end of year</i>	<u>\$ 8,890</u>	<u>74,667</u>	<u>4,416</u>



Special Revenue

Fire Protection 20900	Foster Grandparents 21902	Gasoline Road Tax 21600	Law Enforcement Protection 21100	Litter Control and Beautification 29900
-	-	613,847	-	-
-	-	118,394	-	-
-	-	-	-	-
281,589	51,390	-	30,200	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	57
<u>281,589</u>	<u>51,390</u>	<u>732,241</u>	<u>30,200</u>	<u>57</u>
-	144	-	-	-
194,897	-	-	29,999	-
-	-	465,999	-	-
-	-	-	-	-
-	56,504	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>194,897</u>	<u>56,648</u>	<u>465,999</u>	<u>29,999</u>	<u>-</u>
86,692	(5,258)	266,242	201	57
96	110,554	530,000	-	9,002
(130,617)	-	(1,509,173)	(201)	(4,259)
<u>(130,521)</u>	<u>110,554</u>	<u>(979,173)</u>	<u>(201)</u>	<u>4,743</u>
(43,829)	105,296	(712,931)	-	4,800
69,184	(105,883)	842,977	-	(800)
<u>25,355</u>	<u>(587)</u>	<u>130,046</u>	<u>-</u>	<u>4,000</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, 2020**

	Special Revenue		
	Local Government Corrections 20100	Lodgers' Tax 21400	Senior Companion Program 21901
<i>Revenues</i>			
Taxes:			
Gross Receipts	\$ -	-	-
Other	-	350,166	-
Intergovernmental			
Federal operating grants	-	-	-
State operating grants	-	-	67,171
State capital grants	-	-	-
Fines, forfeitures, and penalties	22,190	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>22,190</u>	<u>350,166</u>	<u>67,171</u>
<i>Expenditures:</i>			
Current:			
General government	-	72,023	162
Public safety	279,295	-	-
Public works	-	-	-
Culture and recreation	-	286,888	-
Health and welfare	-	-	72,999
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>279,295</u>	<u>358,911</u>	<u>73,161</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(257,105)</u>	<u>(8,745)</u>	<u>(5,990)</u>
Other Financing Sources (Uses)			
Transfers, in	228,413	15,530	129,832
Transfers, out	-	-	-
<i>Total other financing sources (uses)</i>	<u>228,413</u>	<u>15,530</u>	<u>129,832</u>
<i>Net change in fund balances</i>	(28,692)	6,785	123,842
<i>Fund balances (deficits) - beginning of year</i>	<u>(72,041)</u>	<u>53,989</u>	<u>(120,504)</u>
<i>Fund balances (deficits), end of year</i>	<u>\$ (100,733)</u>	<u>60,774</u>	<u>3,338</u>

Special Revenue			Debt Service	
Senior Employment Program 21903	Special Library Donation 29901	Total Special Revenue Funds	NMFA Loan 40400	Total Nonmajor Governmental Funds
-	-	613,847	-	613,847
-	-	468,560	-	468,560
-	-	324,915	-	324,915
30,570	9,404	479,148	-	479,148
-	-	34,400	-	34,400
-	-	22,190	-	22,190
-	7,977	97,944	-	97,944
<u>30,570</u>	<u>17,381</u>	<u>2,041,004</u>	<u>-</u>	<u>2,041,004</u>
212	-	75,613	-	75,613
-	-	504,191	-	504,191
-	-	465,999	-	465,999
-	28,504	315,392	-	315,392
26,774	-	740,198	-	740,198
-	-	-	47,295	47,295
-	-	-	6,913	6,913
<u>26,986</u>	<u>28,504</u>	<u>2,101,393</u>	<u>54,208</u>	<u>2,155,601</u>
<u>3,584</u>	<u>(11,123)</u>	<u>(60,389)</u>	<u>(54,208)</u>	<u>(114,597)</u>
36,382	-	1,344,170	207,654	1,551,824
(2,672)	(10,856)	(1,890,498)	(227,095)	(2,117,593)
<u>33,710</u>	<u>(10,856)</u>	<u>(546,328)</u>	<u>(19,441)</u>	<u>(565,769)</u>
37,294	(21,979)	(606,717)	(73,649)	(680,366)
(35,245)	21,979	818,932	438,649	1,257,581
<u>2,049</u>	<u>-</u>	<u>212,215</u>	<u>365,000</u>	<u>577,215</u>

**STATE OF NEW MEXICO  
CITY OF GRANTS  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2020**

	Business Type Activities - Enterprise Funds	
	Golf Course 51800	Total Nonmajor Enterprise Funds
<b>Assets</b>		
Current assets		
Cash, investments and cash equivalents	\$ 1,152	1,152
Accounts receivable - other	-	-
Total current assets	<u>1,152</u>	<u>1,152</u>
Noncurrent assets		
Capital assets	2,229,470	2,229,470
Less: Accumulated depreciation	<u>(1,518,480)</u>	<u>(1,518,480)</u>
Total noncurrent assets	<u>710,990</u>	<u>710,990</u>
Total assets	<u>712,142</u>	<u>712,142</u>
<b>Deferred Outflows</b>		
Pension related	<u>105,945</u>	<u>105,945</u>
Total deferred outflows		
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 16,907	16,907
Accrued liabilities	15,391	15,391
Compensated absences - current	<u>32,544</u>	<u>32,544</u>
Total current liabilities	<u>64,842</u>	<u>64,842</u>
Noncurrent liabilities		
Accrued compensated absences	8,136	8,136
Net pension liability	<u>556,686</u>	<u>556,686</u>
Total noncurrent liabilities	<u>564,822</u>	<u>564,822</u>
Total liabilities	<u>629,664</u>	<u>629,664</u>
<b>Deferred Inflows</b>		
Pension related	<u>38,072</u>	<u>38,072</u>
Total deferred inflows	<u>38,072</u>	<u>38,072</u>
<b>Net position</b>		
Net investment in capital assets	710,990	710,990
Unrestricted	<u>(560,639)</u>	<u>(560,639)</u>
Total net position	<u>\$ 150,351</u>	<u>150,351</u>

**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, 2020**

	Business Type Activities - Enterprise Funds	
	Golf Course 51800	Total Nonmajor Enterprise Funds
<i>Operating Revenues</i>		
Charges for services	\$ 277,068	277,068
Operating grants	-	-
<i>Total revenues</i>	<u>277,068</u>	<u>277,068</u>
<i>Operating Expenses</i>		
General and administrative	760,547	760,547
Depreciation	18,570	18,570
Utilities	72,307	72,307
<i>Total operating expenses</i>	<u>851,424</u>	<u>851,424</u>
<i>Operating income (loss)</i>	<u>(574,356)</u>	<u>(574,356)</u>
<i>Nonoperating revenues (expenses)</i>		
Investment income	-	-
Miscellaneous income	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>
<i>Income (loss) before contributions and transfers</i>	<u>(574,356)</u>	<u>(574,356)</u>
Transfers in	587,965	587,965
Transfers out	(5,069)	(5,069)
<i>Net transfers</i>	<u>582,896</u>	<u>582,896</u>
<i>Change in net position</i>	8,540	8,540
Net position - beginning	<u>141,811</u>	<u>141,811</u>
<i>Net position - end of year</i>	<u>\$ 150,351</u>	<u>150,351</u>

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2020**

	Business Type Activities - Enterprise Funds	
	Golf Course 51800	Total Nonmajor Enterprise Funds
<i>Cash flows from operating activities</i>		
Cash received from user charges	\$ 344,930	344,930
Cash payments to suppliers for goods and services	(840,894)	(840,894)
<i>Net cash (used) by operating activities</i>	<u>(495,964)</u>	<u>(495,964)</u>
<i>Cash flows from noncapital financing activities</i>		
Miscellaneous income	-	-
Transfers	582,896	582,896
<i>Net cash provided by noncapital financing activities</i>	<u>582,896</u>	<u>582,896</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>86,932</u>	<u>86,932</u>
Cash and cash equivalents - beginning of year	<u>(85,780)</u>	<u>(85,780)</u>
Cash and cash equivalents - end of year	<u>\$ 1,152</u>	<u>1,152</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>		
Operating income (loss)	\$ (574,356)	(574,356)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
<i>Depreciation</i>	18,570	18,570
Changes in assets and liabilities		
Receivables	-	-
Deferred outflows	75,790	75,790
Accounts payable	13,602	
Accrued liabilities	1,016	1,016
Compensated absences	(8,040)	
Net pension liability	(41,474)	(41,474)
Deferred inflows	18,928	18,928
<i>Net cash provided (used) by operating activities</i>	<u>\$ (495,964)</u>	<u>(495,964)</u>

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
**For the Year Ended June 30, 2020**

	<u>TBK Bank</u>	<u>Wells Fargo</u>	<u>New Mexico Finance Authority</u>	<u>New Mexico State Treasurer</u>	<u>Totals</u>
<b>Deposits</b>					
General (Operating)	\$ 1,026,320	-	-	-	1,026,320
Utility Billing	-	669,734	-	-	669,734
WF #2738	-	157,516	-	-	157,516
General Government Improvement Fund	-	176,194	-	-	176,194
Restricted debt reserves	-	-	1,305,039	-	1,305,039
Total on deposit	1,026,320	1,003,444	1,305,039	-	3,334,803
Outstanding items	(334,951)	9,353	-	-	(325,598)
Other adjustments	(7,221)	-	-	-	(7,221)
<b>Book balance</b>	<u>\$ 684,148</u>	<u>1,012,797</u>	<u>1,305,039</u>	<u>-</u>	<u>3,001,984</u>
<b>Investments</b>					
Local Government Investment Pool	<u>\$ -</u>	<u>2,025,888</u>	<u>-</u>	<u>4,740,366</u>	<u>6,766,254</u>
				Petty Cash	500
					<u>\$ 9,768,738</u>
				Total cash and cash equivalents governmental funds	\$ 5,219,594
				Total restricted cash and cash equivalents governmental funds	541,194
				Total cash and cash equivalents enterprise funds	2,290,470
				Total restricted cash and cash equivalents enterprise funds	<u>1,717,480</u>
				Total cash, cash equivalents and investments	<u>\$ 9,768,738</u>



**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF PLEDGED COLLATERAL  
For the Year Ended June 30, 2020**

<u>Name of Depository</u>	<u>Description</u>	<u>Maturity</u>	<u>CUSIP or Security ID Number</u>	<u>Fair Market Value</u>
Wells Fargo Bank *	FMAC FEPC 3.500%	2/1/2042	3132A46H6	\$ 14,079
Wells Fargo Bank *	FNMAC FEPC 3.500%	8/18/2047	3132A5HF5	48,549
Wells Fargo Bank *	FNMA FNMS 6.000%	10/1/2038	3140J8X32	72,470
Wells Fargo Bank *	FNMA FNMS 3.000%	1/1/2050	3140K3BC5	5,483
Wells Fargo Bank *	FNMA FNMS 3.000%	2/1/2050	3140K4SS0	4,702
Wells Fargo Bank *	FNMA FNMS 3.500%	8/1/1949	3140QBPJ1	10,391
Wells Fargo Bank *	FNMA FNMS 3.000%	2/1/2050	3140QCWM4	64,399
Wells Fargo Bank *	FNMA FNMS 3.500%	5/1/2047	31418CKG8	53,828
				<u>273,901</u>
TBK BANK **	FHLB 1.375%	10/7/2021	3135G0Q89	<u>2,029,960</u>
Total Collateral Pledged				\$ <u><u>2,303,861</u></u>

Name and Location of Safe Keeper

\* Bank of New York Mellon, New York, NY

\*\* TBK Bank, SSB, Dallas, Tx

**STATE OF NEW MEXICO  
CITY OF GRANTS  
SCHEDULE OF JOINT POWERS AGREEMENTS AND  
MEMORANDUMS OF UNDERSTANDING  
June 30, 2020**

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	\$ 86,300	\$ 86,300	None	None	Cibola County
4/30/2018	Indefinitely	\$ 300,000	\$ 215,271	Cibola County	None	Cibola County
4/30/2009	Indefinitely	\$ 52,000	\$ 21,915	Village of Milan	Village of Milan	Village of Milan



## **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Brian S. 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, 2020, 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 15, 2020.

**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) as a basis for designing 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 2020-001 to 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.

**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 financial statements. 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 2020-002, 2020-003, 2020-004.

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

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

## **Purpose of this Report**

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
December 15, 2020





**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, 2020. 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, 2020.

### ***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*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
December 15, 2020

**STATE OF NEW MEXICO**  
**CITY OF GRANTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity #	Federal CFDA Number		Federal Expenditures
U.S. Department of Health and Human Services				
Passed through NM Economic Development District Non-Metro Area Agency on Aging:				
Federal Title III, Part C (1)	2019-2020	93.045	\$	36,268
Federal Title III, Part C (2)	2019-2020	93.045		25,285
Nutrition Services Incentive Program	2019-2020	93.053		29,621
Federal Title III B	2019-2020	93.044		48,141
Total U.S. Department of Health and Human Services				139,315
U.S. Environmental Protection Agency				
Passed through NM Environment Department:				
Clean Water State Revolving Funds	CWSRF-29	66.458	(M)	2,690,626
Clean Water State Revolving Funds	CWSRF-77	66.458	(M)	93,898
Clean Water State Revolving Funds	CWSRF-78	66.458	(M)	1,432,244
Total U.S. Environmental Protection Agency				4,216,768
Total Expenditures of Federal Awards			\$	4,356,083

(M) Major Program

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

**STATE OF NEW MEXICO  
CITY OF GRANTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020**

**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, 2020. 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 – LOANS**

The City expended federal awards in the form of loans in the Safe Drinking Water State Revolving Fund program totaling \$2,784,524 during the year ended June 30, 2020.

**NOTE 3 – 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, 2020**

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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

**CITY OF GRANTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2020**

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

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**2020-001 (2017-002) CAPITAL ASSETS- MATERIAL WEAKNESS (REPEATED AND MODIFIED)**

**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:** The City will assess whether our staff have sufficient time and knowledge to properly update the asset listing. If we are unable to complete, we will contract with an outside agency to assist with this task.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Work will begin January 2021 and be completed by June 2021.

**RESPONSIBLE OFFICIAL:** City Treasurer & City Manager

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

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None.

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

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**2020-002 (2017-006) DEFICIT FUND BALANCE- OTHER NON-COMPLIANCE (REPEATED AND MODIFIED)**

**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) - \$100,733
- Foster Grandparents (21902) - \$587
- General Government Improvements (39900) - \$705,533

The City has made some 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 will continue utilizing an outside accountant to help maintain timely accounting of all fund balances. Funds will be monitored closer and on a monthly basis by management and reports will be verified in the Tyler system. Transfers will be conducted in a timely manner to account for planned expenditures and prevent negative balances.

**TIMELINE OF CORRECTIVE ACTION PLAN:** This will be accomplished by March 2021.

**RESPONSIBLE OFFICIAL:** City Treasurer and City Manager



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

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**2020-003 COLLATERALIZATION OF BANK ACCOUNTS (OTHER NON-COMPLIANCE)**

**CONDITION:** The City has checking and CD accounts at Wells Fargo. State of New Mexico governmental collateral requirements require 50% of the uninsured accounts be collateralized. The related Federal Deposit Insurance and pledged collateral at Wells Fargo resulted in under collateralization of \$115,765.

**CRITERIA:** New Mexico State Statute Section 6-10-17, NMSA 1978, requires the City to collateralize an amount equal to fifty percent of the balance not covered by FDIC insurance for depository accounts and one hundred and two percent of the balance not covered by FDIC for repurchase (sweep) agreements.

**EFFECT:** The deposits were not sufficiently collateralized and, therefore, the City was not in compliance with the State's cash collateralization requirements.

**CAUSE:** The City did not have sufficient collateral over deposits with one of their financial institutions.

**RECOMMENDATION:** We recommend the City arrange to have sufficient collateral for bank deposits in the excess of the FDIC insurance limits.

**MANAGEMENT RESPONSE:** The City will work with the investment agency and more closely monitor that we are meeting the state requirement for collateral.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Completed by March 2021.

**RESPONSIBLE OFFICIAL:** City Treasurer and City Manger

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

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**2020-004 INTERNAL CONTROLS OVER GAS CARDS (OTHER NON- COMPLIANCE)**

**CONDITION:** We performed compliance procedures over the City’s gas card transactions. As a result of our procedures, we noted the following deficiency:

- For two out of 7 transactions totaling \$96 for fuel purchases, the client could not provide supporting documentation (receipts).

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

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

**CAUSE:** The City gas card users are not following the City’s policy to submit supporting documentation for these transactions.

**RECOMMENDATION:** We recommend the City enforce their policy and not allow gas card transactions to be made without getting support when purchases are made. We also encourage the City not to make payments on the gas card purchases without receipt of supporting documentation.

**MANAGEMENT RESPONSE:** The City will enforce the Credit Card Policy. Staff members who do not follow the policy will lose the privilege of credit card use. Payments will not be made without receipts or supporting documentation.

**TIMELINE OF CORRECTIVE ACTION PLAN:** Effective immediately and accomplished by January 2021

**RESPONSIBLE OFFICIAL:** Accounts Payable Clerk and City Manager

**CITY OF GRANTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

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

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

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

2019-001 – Federal Form I-9 (Other Noncompliance) – Resolved



**STATE OF NEW MEXICO  
CITY OF GRANTS  
EXIT CONFERENCE  
JUNE 30, 2020**

**EXIT CONFERENCE**

An exit conference was held on December 15, 2020 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.