

STATE OF NEW MEXICO
VILLAGE OF GRADY

Audit Report

For the Year Ended June 30, 2008

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
Melrose, New Mexico

STATE OF NEW MEXICO
Village of Grady

Official Roster
For the year ended June 30, 2008

VILLAGE COUNCIL

Jimmy Schell..... Mayor Pro Tem
Mae Szaloy..... Council Member
Kathy Edwards..... Council Member
Harvey Hamlett..... Council Member

VILLAGE OFFICIALS

Wesley Shafer Mayor
Jo Lynn Queener..... Clerk/Treasurer

STATE OF NEW MEXICO
Village of Grady

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June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Hector Balderas, State Auditor
The Village Council and
Village of Grady
Grady, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund including budget comparisons, and the aggregate remaining fund information of the Village of Grady (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village of Grady's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the nonmajor governmental funds and budget comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2008 and the respective changes in financial position thereof, and the respective budgetary comparisons for the nonmajor funds and the proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2009, on our consideration of Village of Grady's internal control over financial reporting and 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, and should be considered in assessing the results of our audit.

For the year ended June 30, 2008, Village of Grady has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of the Village. The additional schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive, flowing style.

Ronny Fouts, CPA
Melrose, New Mexico
February 12, 2009

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental Activities:						
General Government	\$ 96,629	\$ 12,879	\$ -	\$ (83,750)	\$ -	\$ (83,750)
Public Safety	91,157	-	-	(91,157)	-	(91,157)
Culture and Recreation	67,958	10,813	-	(57,145)	-	(57,145)
Interest expense	5,426	-	-	(5,426)	-	(5,426)
Total Governmental Activities	\$ 261,170	\$ 23,692	\$ -	\$ (237,478)	\$ -	\$ (237,478)
Business-Type Activities:						
Joint Utility:						
Water and Solid Waste	\$ 44,883	\$ 40,085	\$ -	\$ -	\$ (4,598)	\$ (4,598)
Bond Interest Payments	1,242	-	-	-	(1,242)	(1,242)
Total Business-Type Activities	\$ 45,925	\$ 40,085	\$ -	\$ -	\$ (5,840)	\$ (5,840)
General Revenues:						
Intergovernmental	\$ 238,061	\$ -	\$ -	\$ 238,061	\$ -	\$ 238,061
Property Taxes	2,698	-	-	2,698	-	2,698
NM Gross Receipts Taxes	35,236	-	1,021	36,257	-	36,257
Gasoline Taxes	6,406	-	-	6,406	-	6,406
Motor vehicle taxes	202	-	-	202	-	202
Miscellaneous Income	802	-	4,691	5,493	-	5,493
Total General Revenues	283,405	5,712	5,712	289,117	5,712	289,117
Change in Net Assets	45,927	(128)	-	45,799	(128)	45,799
Net Assets - Beginning	976,310	258,791	-	1,235,101	258,791	1,235,101
Net Assets - Ending	\$ 1,022,237	\$ 258,663	\$ -	\$ 1,280,900	\$ 258,663	\$ 1,280,900

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Balance Sheet
 Governmental Funds
 June 30, 2008

	General Fund	Fire Protection Fund	Emergency Medical Services Fund	Gas Tax Fund	Senior Citizens Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Pooled Cash and Investments	\$ 88,468	\$ 12,874	\$ 58,810	\$ 33,704	\$ 25,568	\$ 305	\$ 219,729
Accounts Receivable	\$ 1,325						\$ 1,325
Inventory	-				3,457		3,457
Due from Other Governments	-	-	-	-	-	-	-
Total Assets	\$ 89,793	\$ 12,874	\$ 58,810	\$ 33,704	\$ 29,025	\$ 305	\$ 224,511
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:							
Unreserved:							
Desig. for Subsequent Years' Expenditures							-
Reported in:							
General Fund	89,793						89,793
Special Revenue Funds	-	12,874	58,810	33,704	29,025	305	134,718
Total Fund Balance	89,793	12,874	58,810	33,704	29,025	305	224,511
Total Liabilities and Fund Balance	\$ 89,793	\$ 12,874	\$ 58,810	\$ 33,704	\$ 29,025	\$ 305	\$ 224,511

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Reconciliation of the Balance Sheet - All
Governmental funds to the
Statement of Net Assets
June 30, 2007

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

Total Fund Balances - Governmental Funds	\$	224,511
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		964,114
Accrued compensated Absences not recognized in the funds statements.		(104)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(166,284)
Net assets of governmental activities	\$	<u>1,022,237</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 For Year Ended June 30, 2008

	General Fund	Fire Protection Fund	Emergency Medical Services Fund	Gas Tax Fund	Senior Citizens Fund	Nonmajor Funds	Total Governmental Funds
Revenues:							
Intergovernmental	\$ 35,000	\$ 61,995	\$ 57,840	\$ -	\$ 46,727	\$ 20,000	\$ 221,562
Property Taxes	2,698	-	-	-	-	-	2,698
NM Gross Receipts Taxes	35,236	-	-	-	-	-	35,236
Motor Vehicle Taxes	202	-	-	-	-	-	202
Gasoline Taxes	-	-	-	6,406	-	-	6,406
Federal Grant	-	-	-	-	16,499	-	16,499
Licenses and Permits	-	-	-	-	-	-	-
Charge for Services	12,879	-	-	-	10,813	-	23,692
Interest Income	-	-	-	-	-	-	-
Miscellaneous	-	702	100	-	-	-	802
Total Revenue	86,015	62,697	57,940	6,406	74,039	20,000	307,097
Expenditures							
Current:							
General Government	\$ 70,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,591
Public Safety	-	25,931	5,209	-	-	-	31,140
Public Works	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	67,958	-	67,958
Debt retirement	-	17,963	-	-	-	-	17,963
Interest Paid	-	5,426	-	-	-	-	5,426
Capital Outlay	-	8,000	-	-	-	20,000	28,000
Total Expenditures	70,591	57,320	5,209	-	67,958	20,000	221,078
Excess (deficiency) of revenues over expenditures	15,424	5,377	52,731	6,406	6,081	-	86,019
Other financing sources (uses)							
Long term debt	-	-	-	-	-	-	-
Total other financing sources(uses)	-	-	-	-	-	-	-
Net change in fund balance	15,424	5,377	52,731	6,406	6,081	-	86,019
Fund Balance at beginning of year	74,369	7,497	6,079	27,298	22,944	305	138,492
Fund Balance at end of year	\$ 89,793	\$ 12,874	\$ 58,810	\$ 33,704	\$ 29,025	\$ 305	\$ 224,511

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance - All Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

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

Net Change - Total Governmental Funds	\$	86,019
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.</p>		
Depreciation Expense		(89,361)
Capital Outlay		28,000
Compensated absences not recognized in the funds statements		463
Repayment of Long term debt is an expenditure in the funds statements but is not an expense in the statement of activities		20,806
Change in net assets of governmental activities	\$	45,927

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,874	\$ 2,874	\$ 2,898	\$ (176)
NM Gross Receipts Taxes	14,583	14,583	35,256	20,673
Motor Vehicle Registrations	188	188	202	14
Licenses and Permits	21	21	-	(21)
Charges for Services	24,987	24,987	12,879	(12,108)
Miscellaneous	-	-	-	-
Small Cities Assistance	35,000	35,000	35,000	-
Total Revenues	\$ 77,653	\$ 77,653	\$ 88,035	\$ 8,382
Expenditures:				
General Government	\$ 101,002	\$ 101,002	\$ 70,591	\$ 30,411
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Streets and Drainage	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	101,002	101,002	70,591	30,411
Excess (deficiency) of revenues over expenditures	(23,349)	(23,349)	15,444	38,793
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Fund Balance at beginning of year	74,369	74,369	74,369	-
Fund balance at end of year	\$ 51,020	\$ 51,020	89,813	\$ 38,793
RECONCILIATION TO GAAP BASIS:				
Revenues:				
Actual per Budgetary Basis				\$ 88,035
Change in Receivables			(20)	(20)
Actual per GAAP				<u>\$ 88,015</u>
Expenditures:				
Actual per Budgetary Basis				70,591
Changes in Payables			-	-
Actual per GAAP			<u>\$ 89,793</u>	<u>70,591</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Budget and Actual (Non-GAAP)
 Fire Protection Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
State Fire Allotment	\$ 61,995	\$ 61,995	\$ 61,995	\$ -
Other	122,017	122,017	702	(121,315)
Miscellaneous	-	-	-	-
Total Revenues	\$ 184,012	\$ 184,012	\$ 62,697	\$ (121,315)
Expenditures:				
Public Safety	46,078	46,078	25,931	20,147
Debt Retirement	17,963	17,963	17,963	-
Interest Payments	5,428	5,428	5,426	-
Capital Outlay	100,000	100,000	8,000	92,000
Total Expenditures	169,467	169,467	57,320	112,147
Excess (deficiency) of revenues over expenditures	14,545	14,545	5,377	(9,168)
Fund Balance at beginning of year	7,497	7,497	7,497	-
Fund balance at end of year	<u>\$ 22,042</u>	<u>\$ 22,042</u>	12,874	<u>\$ (9,168)</u>
RECONCILIATION TO GAAP BASIS:				
Revenues:				
Actual per Budgetary Basis				\$ 62,697
Changes in Receivables				-
Actual per GAAP				<u>\$ 62,697</u>
Expenditures:				
Actual per Budgetary Basis				\$ 57,320
Changes in Payables				-
Actual per GAAP			<u>\$ 12,874</u>	<u>\$ 57,320</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
Emergency Medical Services
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
State Emergency Medical Services	\$ 207,887	\$ 207,867	\$ 57,640	\$ (150,027)
Other Charge	1,200	1,200	100	(1,100)
Total Revenues	\$ 209,067	\$ 209,067	\$ 57,940	\$ (151,127)
Expenditures:				
Public Safety	8,385	8,385	5,209	3,176
Capital Outlay	200,000	200,000	-	200,000
Total Expenditures	208,385	208,385	5,209	203,176
Excess (deficiency) of revenues over expenditures	682	682	52,731	52,049
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Fund Balance at beginning of year	6,079	6,079	6,079	-
Fund balance at end of year	<u>\$ 6,761</u>	<u>\$ 6,761</u>	58,810	<u>\$ 52,049</u>
RECONCILIATION TO GAAP BASIS:				
Revenues:				
Actual per Budgetary Basis				\$ 57,940
Changes in Receivables			-	-
Actual per GAAP				<u>\$ 57,940</u>
Expenditures:				
Actual per Budgetary Basis				\$ 5,209
Changes in Payables			-	-
Actual Per GAAP			<u>\$ 58,810</u>	<u>\$ 5,209</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
Gas Tax Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Gasoline tax	\$ 7,348	\$ 7,348	\$ 6,407	\$ (941)
Inter-governmental grant	80,000	80,000	-	(80,000)
Total Revenues	87,348	87,348	6,407	(80,941)
Expenditures:				
Public Safety	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	87,348	87,348	6,407	(80,941)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	87,348	87,348	6,407	(80,941)
Fund Balance at beginning of year	27,298	27,298	27,298	-
Fund balance at end of year	\$ 114,646	\$ 114,646	\$ 33,705	\$ (80,941)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
Senior Citizens Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Program Income	\$ 9,638	\$ 9,638	\$ 10,055	\$ 417
Inter-governmental State Grants	60,326	60,326	58,064	(2,262)
Federal Grants	4,211	4,211	49	(4,162)
Total Revenues	<u>74,175</u>	<u>74,175</u>	<u>68,168</u>	<u>(6,007)</u>
Expenditures:				
Culture and Recreation	74,175	74,175	67,574	6,601
Capital Outlay	-	-	-	-
Total Expenditures	<u>74,175</u>	<u>74,175</u>	<u>67,574</u>	<u>6,601</u>
Excess (deficiency) of revenues over expenditures	-	-	594	594
Other Financing Sources (Uses)				
Transfers In		-	-	
Transfers Out				
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	-	-	594	594
Beginning Cash Balance Budgeted	-	-		-
Fund Balance at beginning of year	<u>14,459</u>	<u>14,459</u>	<u>14,459</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,459</u>	<u>\$ 14,459</u>	15,053	<u>\$ 594</u>
Reconciliation to GAAP:				
Change in due from other governments			(19,625)	
Change in accounts payable			7,198	
Change in Inventory			-	
			<u>\$ 2,626</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Balance Sheet
 Proprietary Funds
 June 30, 2008

	<u>Joint Utility</u>
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 31,638
Receivables	4,838
Total Current Assets	<u>36,476</u>
Non-Current Assets	
Capital Assets	341,989
Less: Accumulated Depreciaton	<u>(81,619)</u>
Total Non-Current Assets	<u>260,370</u>
Total Assets	<u><u>\$ 296,846</u></u>
LIABILITIES	
Current Portion of Long-Term Debt	
	<u>\$ 3,331</u>
Total Current Liabilities	<u>3,331</u>
Non-current Liabilities:	
Loan Payable RIP	<u>34,852</u>
Total Liabilities	<u>38,183</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	
	222,187
Unrestricted	<u>36,476</u>
Total Net Assets	<u><u>\$ 258,663</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Joint Utility</u>
Water and Solid Waste Operating Revenues	
Charges for Services	\$ 40,085
NM Gross Receipts tax.	1,021
Miscellaneous	<u>4,691</u>
Total Operating Revenues	<u>45,797</u>
Water and Solid Waste Operating Expenses	
Personal Services	4,098
Operating Services	29,525
Depreciation	<u>11,060</u>
Total Operating Expenses	<u>44,683</u>
Operating Income/Loss	<u>1,114</u>
Non-Operating Revenues (Expenses)	
Bond Interest Payments	<u>(1,242)</u>
Total Non Operating Revenues (Expenses)	<u>(1,242)</u>
Changes in Net Assets	(128)
Net Assets - Beginning	<u>258,791</u>
Net Assets - Ending	<u>\$ 258,663</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 20078

	<u>Joint Utility</u>
Cash flow from operating activities	
Cash received from customers	\$ 38,692
Cash received from taxes	1,021
Cash received from miscellaneous sources	4,691
Cash payments to vendors for goods and services	(29,525)
Cash payment to employees for services	<u>(4,098)</u>
Net Cash provided (used) by operating activities	<u>10,781</u>
Cash flows from Capital and related financing activities:	
Principal paid on capital debt	(5,807)
Interest paid on capital debt	<u>(1,242)</u>
Net cash provided (used) for capital and financing activities	<u>(7,049)</u>
Net increase (decrease) in cash and cash equivalents	3,732
Cash and Cash Equivalents, beginning of year	<u>27,906</u>
Cash and Cash Equivalents, end of year	<u>\$ 31,638</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating Income/Loss	\$ 1,114
 Adjustment to reconcile operating income/loss to net cash provided (used) by operating activities:	
Depreciation	11,060
Changes in assets and liabilities	
(Increase) Decrease in accounts receivable	<u>(1,393)</u>
 Net Operating Income in Cash and Cash Equivalents	<u>\$ 10,781</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the Village of Grady. The Village does not have any component units. The Village operates under a Mayor – Village Council form of government and provides services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and welfare, culture and recreation, public improvements, planning and zoning, and general administrative services.

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

B. Basis of Presentation – Basis of Accounting

Government-wide Statements – The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental and business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other Nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements – The fund financial statements provide information about the Village's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as Nonmajor funds.

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

The Village reports the following major governmental funds:

General Fund – This is the Village’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Protection Fund – This fund accounts for the operations and maintenance of the fire department. Financing is provided by state collected taxes for fire protection. State Statute 59A-53-1 NMSA 1978 Compilation.

Emergency Medical Services - This fund accounts for grant funds received by the Village from state sources for development of an EMS System. Funding is provided for under State Statute 24-10A-1 to 24-10A-10 NMSA Compilation.

Gas Tax Fund – This fund accounts for the receipts of State of New Mexico gasoline taxes and expenditures to maintain the roads of the Village.

Senior Citizens Fund– This fund accounts for donations and fees collected by the Village on the behalf of its senior citizens and expended for them in accordance with their wishes, and to account for grant funds for the benefit of senior citizens. The authority for the allocation and set-up of the fund is 9-2-5 through 9-2-19, NMSA 1978.

The Village reports a major proprietary fund, the *Joint Utility Fund*, which is used to account for the assets, liabilities, net assets, revenue and expenditures related to water and refuse services provided to the residents of the Village, and water sold to parties outside the Village. Under GASB Statement No. 20, "Accounting and Financial Reporting the Proprietary Funds and Other Governmental Entities the Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Village has chosen to apply future FASB standards.

C. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Statements – The government-wide and proprietary statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Program revenues derive directly from the program itself or

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

from parties outside the reporting government's taxpayers or citizenry as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

Governmental Fund Financial Statements – Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual and are recognized when the exchange transaction takes place. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All governmental and business-type activities and enterprise funds of the Village follow GASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Neither fiduciary funds nor component units that are fiduciary in nature are included in the Village's government-wide financial statements. The Village has no fiduciary funds, nor component units.

D. Budgetary Data

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Village Clerk submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means for financing them. A budget is proposed for the General and Special Revenue Funds. Proprietary funds are also budgeted.
2. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment, and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. The Village Council is authorized to transfer budgeted amounts between departments within any fund. Department of Finance and Administration, Local Government Division must approve any revisions that alter the total expenditures of any fund.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

4. Budgets for all funds are adopted on the cash basis, which is not consistent with generally accepted accounting principles. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
5. Budgets for all funds are adopted on a regulatory prescribed cash basis. The level of budgeting control is by fund total. Budgetary information is presented as amended, the amendments being adopted in a legally prescribed manner. Appropriation laps at year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.

E. Encumbrances

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances lapse at year-end and therefore are not presented in these financial statements.

F. Cash

Cash includes amounts in demand deposits as well as certificates of deposit acquired by the Village. For the purpose of reporting cash flows all highly liquid investments including restricted assets with maturity of three months or less are considered to be cash equivalents.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

H. Accounts Receivable

The accounts receivable of the governmental funds consist primarily of taxes collected by the collection agency in the current year, but not remitted to the Village until after year-end. The accounts receivable of the enterprise funds represent earned income for water, sewer, and solid waste services. All of these receivables are considered fully collectible and no allowance has been computed.

I. Capital Assets

Capital assets are recorded as expenditures in the General Fund and Special Revenue funds at the time assets are received and a liability is incurred. These assets are capitalized at cost in the capital assets account except for rights of way and certain improvements other than buildings constructed in the public right of way such as roads, bridges, curbs, gutters, streets and sidewalks, drainage systems and lighting systems, as these assets are immovable and of value only to the Village. All purchased assets are valued at cost where historical records

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VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimate fair market value on the date received. The fair market value of donated assets is determined by comparison to other similar assets.

Depreciation of all exhaustible capital assets used by proprietary funds is charges as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-40 years
Improvements	10-40 years
Equipment	10 years

The Village capitalizes assets that cost \$5,000 or more.

Construction period interest, if any, is capitalized per GASB 37. The Village did not incur any construction period interest during the year ended June 30, 2008.

The Village capitalizes and depreciates its computer software.

2. DEPOSITS AND PLEDGED COLLATERAL BY BANKS

The Village is required by the New Mexico Statutes (Section 6-10-17) to be 50 percent collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities:

	<u>Wells Fargo</u> <u>Demand Deposits</u>
Total amount of Deposits on June 30, 2008	\$ 251,079
Less: FDIC Insurance	<u>(100,000)</u>
Uninsured public funds	<u>\$ 151,079</u>
50% collateral requirement	\$ 75,540
Pledged security - market value	<u>166,047</u>
(Over) under-collateralized	<u>\$ (90,507)</u>

Pledged Collateral:

(1) FNCL 895631, Cussip 31410SA80, Maturity Date 5/1/36, Market Value \$48,415

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

- (2) FNCL 545277, Cussip 31385HXE7, Maturity Date 11/01/31, Market Value \$5,086
- (3) FNCL 891601, Cussip 31410MRW2, Maturity Date 06/01/36, Market Value \$112,545

Place of Safekeeping: Wells Fargo Bank, San Francisco, California
Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$151,079 of the Village's bank balance of \$251,079 was exposed to custodial credit risk.

Uninsured and Uncollateralized	\$ -
Uninsured and Collateral held by pledging bank's trust department not in District's name	166,047
Total	\$ 166,047

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

Total Capital Assets being depreciated	1,518,420	28,000	-	1,546,420
Less accumulated depreciation for:				
Buildings	161,635	21,200		182,835
Improvements/Infrastructure	79,877	8,144		88,021
Machinery & Equipment	251,433	60,017	-	311,450
Total-accumulated depreciation	492,945	89,361	-	582,306
Total Capital Assets being depreciated, net	\$ 1,025,475	\$ (61,361)	\$ -	\$ 964,114
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	3,100	-	-	3,100
Wells	7,388	-	-	7,388
Total capital assets not being depreciated	\$ 10,488	\$ -	\$ -	10,488
Capital Assets being depreciated:				
Water Distribution System	331,501	-	-	331,501
Total Capital Assets being depreciated	331,501	-	-	331,501
Less accumulated depreciation for:				
Water Distribution System	70,559	11,060	-	81,619
Total-accumulated depreciation	70,559	11,060	-	81,619
Total Capital Assets being depreciated, net	260,942	(11,060)	-	249,882
Business-Type Activities capital assets, net	\$ 271,430	\$ (11,060)	\$ -	\$ 260,370

4. RETIREMENT PLAN

Substantially all of the Village's full-time employees participated in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123.

Plan members are required to contribute 7 percent of their gross salary. The Village is required by State Statute to contribute 7 percent for regular employees. The contribution requirement of plan members and the Village are established under Chapter 10, Article 11, NMSA 1978. The Village's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$5,699, \$5,745, and \$5,461, respectively equal to the amount of the required contribution each year.

5. RETIREE HEALTH CARE ACT

The Village has elected not to participate in the New Mexico Health Care Act.

6. CHANGE IN BUSINESS TYPE LONG-TERM LIABILITIES

A long-term loan from the Rural Infrastructure Program (RIP) is to be used to improve water systems and construct a new water storage tank. The original loan was \$56,226 with installment payments dues for 16 years at 3% interest. Each installment is \$4476.18.

The annual requirements to amortize all long-term debts outstanding, as of June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 3,234	\$ 1,242	\$ 4,476
2010	3,331	1,145	4,476
2011	3,431	1,045	4,476
2012	3,534	942	4,476
2013	3,640	836	4,476
2014 through 2018	24,246	2,608	26,854
Total Loan Payments	<u>\$ 41,416</u>	<u>\$ 7,818</u>	<u>\$ 49,234</u>

Change in Long-Term Liabilities – Joint Utility Fund

The following is a summary of changes in long-term debt of the Village for the year ended June 30, 2008.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

	Beginning Balance	Additions	Retirements	Ending Balance	Due in One Year
RIP Loan	\$ 43,990	\$ -	\$ 2,574	\$ 41,416	\$ 3,234
Total Long-Term Debts	\$ 43,990	\$ -	\$ 2,574	\$ 41,416	\$ 3,234

The following summarizes the changes in long-term debt for compensated absences for the year ended June 30, 2008:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Compensated Absences					
Payable	\$ 567	\$ 104	\$ (567)	\$ 104	\$ 104
Total Compensated Absences	\$ 567	\$ 104	\$ (567)	\$ 104	\$ 104

Compensated absences have typically been liquidated in the general governmental funds.

7. LONG-TERM DEBT

The Village obtained a loan from NMFA to purchase a Class A Pumper for the Fire Department. The loan is a ten-year loan with interest rates at 1.660% to 4.150%. The following is the annual amortization of the loan.

Year Ending June 30	Principal	Interest	Total
2009	\$ 21,417	\$ 6,004	\$ 27,421
2010	22,096	5,327	27,423
2011	22,837	4,586	27,423
2012	23,640	3,783	27,423
2013	24,505	2,918	27,423
2014 through 2015	51,789	3,075	54,864
	<u>\$ 166,284</u>	<u>\$ 25,693</u>	<u>\$ 191,977</u>

The following is a summary of changes in long-term debt for the Village for the year ended June 30, 2008.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
June 30, 2008

Beginning Balance	Additions	Retirements	Ending Balance	Due in one year
\$ 187,090	\$ -	\$ 20,806	\$ 166,284	\$21,417
\$ 187,090	\$ -	\$ 20,806	\$ 166,284	\$ 21,417

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the fiscal year June 30, 2008, the Village carried insurance with the New Mexico Self-Insurer's fund for a shared premium cost. There were no significant reductions in coverage in the past fiscal year and there was no settlement exceeding insurance coverage in any of the past three fiscal years. The Village's policy is not an assessable policy; therefore the only risk is for the premium paid.

9. SURETY COVERAGE

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.

AUDITED SUPPLEMENTARY INFORMATION

NONMAJOR FUNDS

LAW ENFORCEMENT FUND – to account for the receipts of a State of New Mexico law enforcement grant and expenditures to provide law enforcement services to residents of the Village.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Combining Balance sheet
 Non Major Special Revenue Funds
 For the Year Ended June 30, 2008

	Law Enforcement Fund	Totals
Assets:		
Cash on deposit	\$ 305	\$ 305
Total assets	<u>305</u>	<u>305</u>
Fund Equity:		
Fund Balance		-
Unreserved:		-
Reported in Special Revenue Funds	305	305
Total Fund Equity	<u>\$ 305</u>	<u>\$ 305</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances
Non Major Funds
For the Year Ended June 30, 2008

	Law Enforcement Fund	Totals
Revenues:		
Intergovernmental	\$ 20,000	\$ 20,000
Other Charges		-
Miscellaneous	-	-
	<hr/>	<hr/>
Total Revenues	20,000	20,000
	<hr/>	<hr/>
Expenditures:		
Current:		
Public Safety		-
Capital Outlay	20,000	20,000
	<hr/>	<hr/>
Total Expenditures	20,000	20,000
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	-	-
Other Financing Sources (Uses)		
Transfers In	-	
Transfers Out		
	<hr/>	<hr/>
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	-	-
Fund Balance at beginning of year	305	305
	<hr/>	<hr/>
Fund Balance at end of year	\$ 305	\$ 305
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Budget and Actual (Non-GAAP)
 Law Enforcement Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Intergovernmental grant	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total Revenues	20,000	20,000	20,000	-
Expenditures:				
Capital Outlay	20,000	20,000	20,000	-
Total Expenditures	20,000	20,000	20,000	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers In	-	-	-	
Transfers Out				
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	-	-	-	-
Fund Balance at beginning of year	663	663	663	-
Fund balance at end of year	\$ 663	\$ 663	\$ 663	\$ -

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Revenues, Expenditures, and Changes
in Cash Balance - Budget and Actual (Non-GAAP)
Joint Utility Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Utility - Service	\$ 44,915	\$ 44,915	\$ 34,481	\$ (10,434)
Utility - Connections	882	882	475	(407)
Equipment Sales	3,703	3,703	-	(3,703)
Gross Receipts Taxes	500	500	476	(24)
Miscellaneous	6,585	6,585	10,758	4,173
Total Revenues	56,585	56,585	46,190	(10,395)
Expenditures:				
Personal Services	5,500	5,500	4,474	1,026
Operating Expenses	41,516	41,516	29,056	12,460
Capital Outlay	-	-	-	-
Bond Requirement	7,875	7,875	4,476	3,399
Total Expenditures	54,891	54,891	38,006	16,885
Excess (deficiency) of revenues over expenditures	1,694	1,694	8,184	6,490
Other Financing Sources (Uses)				
Transfers In		-	-	
Transfers Out				
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	1,694	1,694	8,184	6,490
Cash Balance at beginning of year	19,722	19,722	19,722	-
Cash balance at end of year	\$ 23,110	\$ 23,110	\$ 27,906	\$ 12,980

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Bank Reconciliation - All Bank Accounts
 June 30, 2008

<u>Bank Name</u>	<u>Bank Statement Balance June 30, 2008</u>	<u>Outstanding</u>		<u>Book Balance June 30, 2008</u>
		<u>Deposits</u>	<u>Checks</u>	
Wells Fargo Bank New Mexico Clovis, New Mexico Branch Demand Deposits Checking: Village of Grady	<u>\$ 251,079</u>	<u>\$ 4,875</u>	<u>\$ 4,587</u>	<u>\$ 251,367</u>
Total Ending Cash	<u>\$ 251,079</u>	<u>\$ 4,875</u>	<u>\$ 4,587</u>	<u>\$ 251,367</u>

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 425
Melrose, NM 88124

(505) 253-4554
Fax: (505) 253-4727

**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**

Hector Balderas, State Auditor
The Village Council and
Village of Grady
Grady, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the general fund and major special revenue fund budgetary comparisons, and the aggregate remaining fund information, and the combining and individual funds and budgetary comparisons presented as supplemental information of the Village of Grady (Village) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 12, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Grady's internal control over financial reporting as a basis for designing our auditing procedures 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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

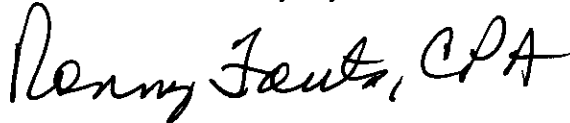
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Grady financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Village, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style with a large, prominent "R" and "F".

Ronny Fouts, CPA
Melrose, New Mexico
February 12, 2009

STATE OF NEW MEXICO
Village of Grady

Schedule of Findings and Responses
For the Year Ended June 30, 2008

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

08-01 Late Audit Report

Condition:

The audit report was filed after the due date.

Criteria:

According to the New Mexico State Auditor Rule 2.2.2.9 the audit report due date for Municipalities and Village's is December 1.

Cause:

The auditor had a loss of personnel after the contract was signed, and other situations which prevented the auditor from completing the audit.

Effect:

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect of funding.

Recommendation:

The Village and Auditor will be more diligent to file it in the future.

Response:

The audit will be filed timely in the future.

STATE OF NEW MEXICO
Village of Grady

Exit Conference
For the Year Ended June 30, 2008

The financial statements were prepared by Ronny Fouts, CPA with substantial assistance from District personnel.

EXIT CONFERENCE

The contents of this report were discussed on February 12, 2009 with Leona Fleming, New Village Clerk/Treasurer, Wesley Shafer, Mayor, and Ronny Fouts, CPA.

Ronny Fouts, CPA
Melrose, New Mexico
February 12, 2009