

STATE OF NEW MEXICO

VILLAGE OF GRADY

AUDIT REPORT

For the Year Ended June 30, 2011

(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VILLAGE OF GRADY

AUDIT REPORT

For The Year Ended June 30, 2011

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
VILLAGE OF GRADY
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STATE OF NEW MEXICO
VILLAGE OF GRADY
Official Roster
Year Ended June 30, 2011

Village Council

<u>Name</u>	<u>Title</u>
Mr. Wesley Shafer	Mayor
Ms. Kathy Edwards	Mayor Pro-Tem
Ms. Mae Szaloy	Member
Mr. Harvey Hamlett	Member
Mr. Jimmy Schell	Member

Village Administration

Ms. Leona Powell	Clerk/Treasurer
Ms. Katy MacKechnie	Deputy Clerk

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
Village of Grady
Grady, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the General, Fire Protection, EMS, Gas Tax and Senior Citizens Funds of the Village of Grady, as of and for the year ended June 30, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major governmental and enterprise funds and the budgetary comparisons for all non-major governmental and enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Village of Grady'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Grady's internal control over financial reporting. According, we express no such opinion. 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 statement 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 of Grady, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General and Fire Protection, EMS, Gas Tax and Senior Citizens 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 non-major governmental and enterprise funds of the Village of Grady, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the non-major governmental and enterprise funds 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 August 25, 2011 on our consideration of the 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.

The Village has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.



August 25, 2011

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Net Assets
June 30, 2011

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 146,283	\$ 36,052	\$ 182,335
Accounts receivable (net of uncollectible accounts)	4,200	5,952	10,152
Inventory	1,629	-	1,629
Total current assets	152,112	42,004	194,116
Capital Assets			
Land	11,200	10,488	21,688
Land improvements	10,000	-	10,000
Buildings and improvements	904,558	-	904,558
Vehicles/heavy equipment	1,206,927	-	1,206,927
Plant/Infrastructure	361,552	331,501	693,053
Total capital assets	2,494,237	341,989	2,836,226
Less accumulated depreciation	(770,148)	(114,769)	(884,917)
Total capital assets (net of accumulated depreciation)	1,724,089	227,220	1,951,309
Total assets	\$ 1,876,201	\$ 269,224	\$ 2,145,425

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Net Assets
June 30, 2011

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
NMFA Loan	18,824	3,534	22,358
Total current liabilities	18,824	3,534	22,358
Non-Current Liabilities			
Compensated absences payable	816	-	816
NMFA Loan	189,353	27,886	217,239
Total non-current liabilities	190,169	27,886	218,055
Total liabilities	208,993	31,420	240,413
Net Assets			
Invested in capital assets net of related debt	1,515,912	195,800	1,711,712
Unrestricted	151,296	42,004	193,300
Total net assets	1,667,208	237,804	1,905,012
Total liabilities and net assets	\$ 1,876,201	\$ 269,224	\$ 2,145,425

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Activities
Year Ended June 30, 2011

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 84,027	\$ -	\$ 5,066	\$ 268,560	\$ 189,599	\$ -	\$ 189,599
Highways and streets	-	-	-	-	-	-	-
Public safety	73,810	-	105,034	-	31,224	-	31,224
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	94,807	10,919	98,307	-	14,419	-	14,419
Interest	2,344	-	-	-	(2,344)	-	(2,344)
Depreciation - unallocated	104,392	-	-	-	(104,392)	-	(104,392)
Total governmental activities	359,380	10,919	208,407	268,560	128,506	-	128,506
Business-type activities:							
Water services	59,624	53,624	3,234	-	-	(2,766)	(2,766)
Total business-type activities	59,624	53,624	3,234	-	-	(2,766)	(2,766)
Total all activities	<u>\$ 419,004</u>	<u>\$ 64,543</u>	<u>\$ 211,641</u>	<u>\$ 268,560</u>	128,506	(2,766)	125,740
General Revenues:							
Property taxes					3,863	-	3,863
Gross receipts taxes					43,105	-	43,105
Franchise taxes					591	-	591
Gasoline taxes					11,379	-	11,379
Motor vehicle taxes					156	-	156
State aid not restricted to special purpose							
General					35,000	-	35,000
Transfers					-	-	-
Investment earnings					84	-	84
Total general revenues					94,178	-	94,178
Change in net assets					222,684	(2,766)	219,918
Net assets - beginning of year, as previously reported					1,422,230	240,570	1,662,800
Restatement					22,294	-	22,294
Net assets - beginning of year, as restated					1,444,524	240,570	1,685,094
Net assets - ending					<u>\$ 1,667,208</u>	<u>\$ 237,804</u>	<u>\$ 1,905,012</u>

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Balance Sheet
Governmental Funds
June 30, 2011

Statement 3

	General Fund	Fire Protection Fund	EMS Fund	Gas Tax Fund	Senior Citizens Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash on deposit	\$ 96,395	\$ 62	\$ 960	\$ 37,960	\$ 10,906	\$ -	\$ 146,283
Accounts receivable	1,266	-	-	-	2,934	-	4,200
Due from other funds	66,046	-	-	-	-	-	66,046
Inventory	-	-	-	-	1,629	-	1,629
Total assets	<u>\$ 163,707</u>	<u>\$ 62</u>	<u>\$ 960</u>	<u>\$ 37,960</u>	<u>\$ 15,469</u>	<u>\$ -</u>	<u>\$ 218,158</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	66,046	-	-	-	-	66,046
Total liabilities	<u>-</u>	<u>66,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,046</u>
FUND BALANCE							
Nonspendable	66,046	-	-	-	1,629	-	67,675
Restricted	-	-	960	37,960	13,840	-	52,760
Committed	-	(65,984)	-	-	-	-	(65,984)
Unassigned	97,661	-	-	-	-	-	97,661
Total fund balance	<u>163,707</u>	<u>(65,984)</u>	<u>960</u>	<u>37,960</u>	<u>15,469</u>	<u>-</u>	<u>152,112</u>
Total liabilities and fund balance	<u>\$ 163,707</u>	<u>\$ 62</u>	<u>\$ 960</u>	<u>\$ 37,960</u>	<u>\$ 15,469</u>	<u>\$ -</u>	<u>\$ 218,158</u>

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2011

Statement 4

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

Total fund balances - governmental funds		\$ 152,112
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	2,494,237	
Accumulated depreciation	<u>(770,148)</u>	
		1,724,089

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

NMFA Loan	(208,177)	
Compensated absences	<u>(816)</u>	
		<u>(208,993)</u>

Net assets of governmental activities		<u>\$ 1,667,208</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF GRADY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	General Fund	Fire Protection Fund	EMS Fund	Gas Tax Fund	Senior Citizens Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 3,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,863
Charges for services	-	-	-	-	10,919	-	10,919
Licenses and permits	-	-	-	-	-	-	-
Local sources	5,066	3,403	-	-	11,300	899	20,668
State sources	35,995	73,732	7,000	-	78,577	20,000	215,304
Federal sources	268,560	-	-	-	7,435	-	275,995
State shared taxes	43,852	-	-	11,379	-	-	55,231
Earnings from investments	-	84	-	-	-	-	84
Total revenues	357,336	77,219	7,000	11,379	108,231	20,899	582,064
EXPENDITURES							
Current:							
General government	83,499	-	-	-	-	-	83,499
Highways and streets	-	-	-	-	-	-	-
Public safety	-	45,969	6,942	-	-	20,899	73,810
Health & welfare	-	-	-	-	-	-	-
Culture and recreation	497	-	-	-	94,310	-	94,807
Capital outlay	268,560	252,164	-	-	-	-	520,724
NMFA principle	-	122,771	-	-	-	-	122,771
NMFA interest	-	2,344	-	-	-	-	2,344
Total expenditures	352,556	423,248	6,942	-	94,310	20,899	897,955
Excess (deficiency) revenues over expenditures	4,780	(346,029)	58	11,379	13,921	-	(315,891)
OTHER FINANCING SOURCES (USES)							
Loan proceeds	-	208,177	-	-	-	-	208,177
	-	208,177	-	-	-	-	208,177
Net change in fund balances	4,780	(137,852)	58	11,379	13,921	-	(107,714)
Fund balance beginning of year, as previously reported	158,927	49,574	902	26,581	1,548	-	237,532
Restatement	-	22,294	-	-	-	-	22,294
Fund balance beginning of year, as restated	158,927	71,868	902	26,581	1,548	-	259,826
Fund balance end of year	\$ 163,707	\$ (65,984)	\$ 960	\$ 37,960	\$ 15,469	\$ -	\$ 152,112

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

STATE OF NEW MEXICO
VILLAGE OF GRADY

Statement 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (107,714)

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

Capital outlays to purchase or build capital
assets are reported in governmental funds as
expenditures. However, for governmental
activities those costs are shown in the statement
of net assets and allocated over their estimated
useful lives as annual depreciation expenses in the
statement of activities. This is the amount by which
capital outlays exceed depreciation expense in the period.

Capital outlays	520,724
Depreciation expense	<u>(104,392)</u>

Excess of capital outlay over depreciation expense 416,332

In the Statement of Activities, certain operating
expenses are measured by the amount incurred
during the year. In the fund financial statements
however, expenditures are measured by the amount
of financial resources used (essentially the amounts
actually paid). The (increase) decrease in the
liabilities for the year were:

Compensated absences payable	(528)
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The issuance of long-term debt 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. Repayment of loans payable
is an expenditure in the governmental funds, but it
reduces long-term liabilities in the statement of net
assets and does not affect the Statement of Activities.

Proceeds of loan	(208,177)
Repayment of long-term debt	<u>122,771</u>

(85,406)

Change in net assets of governmental activities \$ 222,684

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 General Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 3,130	\$ 3,130	\$ 3,900	\$ 770
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Local sources	4,398	5,071	5,066	(5)
State sources	36,000	36,000	36,595	595
Federal sources	431,908	431,908	268,560	(163,348)
State shared taxes	26,600	26,600	43,698	17,098
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 502,036</u>	<u>\$ 502,709</u>	<u>\$ 357,819</u>	<u>\$ (144,890)</u>
EXPENDITURES				
Current:				
General government	\$ 90,786	\$ 90,778	\$ 83,499	\$ 7,279
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	497	(497)
Capital outlay	431,908	431,908	268,560	163,348
Total expenditures	<u>\$ 522,694</u>	<u>\$ 522,686</u>	<u>\$ 352,556</u>	<u>\$ 170,130</u>
BUDGETED CASH BALANCE	<u>\$ 154,369</u>	<u>\$ 154,369</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Fire Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 2,500	\$ 2,500	\$ 3,403	\$ 903
State sources	67,132	67,132	73,732	6,600
Federal sources	-	-	-	-
Earnings from investments	-	-	84	84
Total revenues	<u>\$ 69,632</u>	<u>\$ 69,632</u>	<u>\$ 77,219</u>	<u>\$ 7,587</u>
EXPENDITURES				
Public safety	\$ 78,212	\$ 427,597	\$ 423,248	\$ 4,349
Total expenditures	<u>\$ 78,212</u>	<u>\$ 427,597</u>	<u>\$ 423,248</u>	<u>\$ 4,349</u>
OTHER FINANCING SOURCES				
Loan proceeds	\$ -	\$ 250,000	\$ 208,177	\$ (41,823)
Total other financing sources	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 208,177</u>	<u>\$ (41,823)</u>
BUDGETED CASH BALANCE	<u>\$ 126,274</u>	<u>\$ 148,574</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 EMS Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	7,000	7,000	7,000	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 7,000	\$ 7,000	\$ 6,942	\$ 58
Total expenditures	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 6,942</u>	<u>\$ 58</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Gas Tax Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
State shared taxes	5,004	5,004	11,379	6,375
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 5,004</u>	<u>\$ 5,004</u>	<u>\$ 11,379</u>	<u>\$ 6,375</u>
EXPENDITURES				
Public safety	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Senior Citizens Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 9,336	\$ 9,336	\$ 10,919	\$ 1,583
Local sources	500	7,645	11,300	3,655
State sources	71,940	79,166	80,979	1,813
Federal sources	6,197	6,197	7,531	1,334
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 87,973</u>	<u>\$ 102,344</u>	<u>\$ 110,729</u>	<u>\$ 8,385</u>
EXPENDITURES				
Culture and recreation	\$ 87,973	\$ 102,344	\$ 94,688	\$ 7,656
Total expenditures	<u>\$ 87,973</u>	<u>\$ 102,344</u>	<u>\$ 94,688</u>	<u>\$ 7,656</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Proprietary Funds
 Statement of Net Assets
 June 30, 2011

Statement 12

	Water Fund
ASSETS	
Current Assets	
Cash on deposit	\$ 36,052
Accounts receivable (net)	5,952
Total Current Assets	42,004
Capital Assets	
Land	3,100
Land improvements	7,388
Plant/infrastructure	331,501
Accumulated depreciation	(114,769)
Total Capital Assets	227,220
Total Assets	\$ 269,224
LIABILITIES	
Current Liabilities	
Accounts payable	\$ -
Current portion loan payable	3,534
Total Current Liabilities	3,534
Long-Term Liabilities	
RIP loan payable	27,886
Total Long-Term Liabilities	27,886
Total Liabilities	31,420
NET ASSETS	
Invested in Capital Assets, net of related debt	195,800
Unrestricted	42,004
Total Net Assets	237,804
Total Liabilities and Net Assets	\$ 269,224

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

Statement 13

	<u>Water Fund</u>
OPERATING REVENUES	
Sales and services	\$ 53,624
Local source	<u>3,234</u>
Total operating revenue	<u>56,858</u>
OPERATING EXPENSES	
Personal services	4,091
Maintenance and operations	25,529
Major contractual services	17,910
Depreciation	<u>11,050</u>
Total operating expenses	<u>58,580</u>
Operating income (loss)	<u>(1,722)</u>
NON-OPERATING REVENUE (EXPENSE)	
Investment income	-
Investment expense	(1,044)
Transfers in	-
Transfers out	-
State grant	-
Federal grant	<u>-</u>
Total Non-Operating Revenue (Expense)	<u>(1,044)</u>
Change in Net Assets	(2,766)
Total net assets, beginning of year	<u>240,570</u>
Total net assets, end of year	<u><u>\$ 237,804</u></u>

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

Statement 14

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 51,975
Cash received from local sources	3,234
Cash payments to employees and to suppliers for goods and services	(47,531)
Net cash provided by operating activities	7,678
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid	(3,431)
Acquisition of capital assets	-
Investment expense	(1,044)
Net cash provided (used) by capital and related financing activities	(4,475)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	-
Net cash provided by investing activities	-
Net increase (decrease) in cash	3,203
Cash, beginning of year	32,849
Cash, end of year	\$ 36,052
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,722)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,050
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,650)
Increase (decrease) in accounts payable	-
Net cash provided (used) by operating activities	\$ 7,678

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Notes to Financial Statements
Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Grady is incorporated under Section 3 New Mexico State Statutes Annotated 1978 Compilation operating under a Mayor-Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the Village of Grady have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. 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 government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village had no component units.

Notes to Financial Statements (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which is normally 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 activities demonstrates the degree to which the direct expenses of a given function or segment are 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 segment and 2) grants and contributions that are restricted to meeting the operation 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 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 billed. 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 30 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.

Notes to Financial Statements (continued)

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. 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. 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.

The government 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.

The *Fire Protection Fund* (Special Revenue Fund) is to account for the operations and maintenance of the Fire Department. It is financed by a specific allotment from the State Fire Marshall's Office. The authority is NMSA 59A-53-1.

The *Emergency Medical Services* (Special Revenue Fund) is 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.

The *Gas Tax Fund* (Special Revenue Fund) accounts for receipts of State of New Mexico gasoline taxes and expenditures to maintain the roads of the Village.

The *Senior Citizens Fund* (Special Revenue Fund) accounts for donations and fees collected by the Village on 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 also reports additional Government funds as non-major. They include:

Special Revenue Funds - these funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Village reports the following Proprietary Fund types:

Enterprise Fund - Water Fund - To account for the provision of water services to the residents of Grady, New Mexico. All activities necessary to provide these services are accounted for in this fund.

Notes to Financial Statements (continued)

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

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

1. Prior to June 1, the Village Clerk-Treasurer submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments. The original budget that was adopted in July, 1998 was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principals. Throughout the year the accounting records are maintained on the Non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the Non-GAAP budgetary basis and actual (cash basis). The budget of the Enterprise Fund is adopted on a Non-GAAP cash basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

Notes to Financial Statements (continued)

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Land improvements	10
Buildings	30
Building improvements	30
Public domain infrastructure	30
System infrastructure	30
Vehicles	5
Equipment	5
Heavy equipment	20

The Village does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

Notes to Financial Statements (continued)

H. Compensated Absences

It is the policy of the Village of Grady to permit certain employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Village's service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Sick pay does not vest and is recorded as an expenditure when it is paid.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

J. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others".

K. Net Assets

The governmental activities and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associates with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitation on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Notes to Financial Statements (continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by the Village Council or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Notes to Financial Statements (continued)

M. 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.

N. 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. The Village carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

O. 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.

2. DEPOSITORY COLLATERAL

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Village's Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

The following is the Cash on Deposit at each financial institution.

Wells Fargo	General	Checking	\$ 219,838
New Mexico			
Finance Authority			<u>62</u>
			<u>\$ 219,900</u>
Total amount on deposit			\$ 219,900
Deposit in transit			232
Outstanding checks			<u>(37,797)</u>
Total per financial statements			<u>\$ 182,335</u>

The following schedule details the public money held by Wells Fargo and the pledged collateral provided for the Village follows:

	<u>Wells Fargo</u>
Cash on deposit at June 30	\$ 219,838
Less <u>FDIC</u>	<u>(219,838)</u>
Uninsured funds	-
Funds needing collateralization at 50% (required by State Law)	-
Pledged collateral at June 30	<u>-</u>
Excess of Pledged Collateral	<u>\$ -</u>

Notes to Financial Statements (continued)

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of 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, \$0 of the Village's bank balance \$279,766 was exposed to custodial credit risk as follows:

A.	Uninsured and Uncollateralized	\$	-
B.	Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name		<u>-</u>
	Total	\$	<u><u>-</u></u>

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution. 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.

The amount held at the New Mexico Finance Authority totaling \$62 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Governmental Funds

During the year ended June 30, the following changes occurred in the liabilities reported in the Governmental Funds:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Compensated absences payable	\$ <u>288</u>	\$ <u>528</u>	\$ <u>-</u>	\$ <u>816</u>	\$ <u>-</u>

The liability will be liquidated by the General Fund.

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
NMFA Loan	\$ <u>122,771</u>	\$ <u>208,177</u>	\$ <u>122,771</u>	\$ <u>208,177</u>	\$ <u>18,824</u>

The Village entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the Village to pay a principal amount of \$208,177 and interest for the purpose of defraying the cost of acquiring a fire tanker for the Village's fire department. The yearly payments are to be redirected from the Village's share of the State Fire Fund revenues to the NMFA. The interest rate is .580% to 2.930%. The maturity date is May 1, 2021.

Notes to Financial Statements (continued)

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 18,824	\$ 5,644	\$ 24,468
2013	19,081	3,732	22,813
2014	19,393	3,581	22,974
2015	19,765	3,381	23,146
2016	20,233	3,091	23,324
2017	20,794	2,728	23,522
2018	21,420	2,304	23,724
2019	22,111	1,830	23,941
2020	22,866	1,300	24,166
2021	23,690	694	24,384
Total	<u>\$ 208,177</u>	<u>\$ 28,285</u>	<u>\$ 236,462</u>

The liability will be liquidated by the Fire Protection Fund.

Enterprise Fund

During the year ended June 30, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
RIP Loan	\$ <u>34,851</u>	\$ <u>-</u>	\$ <u>3,431</u>	\$ <u>31,420</u>	\$ <u>3,534</u>

The Village entered into a loan agreement from the Rural Infrastructure Program (RIP) evidencing a special limited obligation of the Village to pay a principal amount of \$56,226 and interest for the purpose of improving the water system and constructing a new water storage tank for the Village. The interest rate is 3%. The maturity date is June 30, 2019.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,534	\$ 942	\$ 4,476
2013	3,640	836	4,476
2014	3,749	727	4,476
2015	3,861	615	4,476
2016	3,977	499	4,476
2017	4,096	380	4,476
2018	4,218	258	4,476
2019	4,345	132	4,477
Total	<u>\$ 31,420</u>	<u>\$ 4,389</u>	<u>\$ 35,809</u>

4. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the Village by the County Treasurer, and are remitted to the Village in the month following collection. Because the Treasurer for the county in which the Village is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Village.

Notes to Financial Statements (continued)

The Village is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Village.

The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Villages financial records.

5. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

<u>Revenues</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>EMS Funds</u>	<u>Gas Tax Fund</u>
Accrual basis	\$357,336	\$ 77,219	\$ 7,000	\$ 11,379
Budget basis	<u>357,819</u>	<u>77,219</u>	<u>7,000</u>	<u>11,379</u>
Increase (decrease) in receivables	<u>\$ (483)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures</u>				
Accrual basis	\$352,556	\$ 423,248	\$ 6,942	\$ -
Budget basis	352,556	423,248	6,942	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Revenues</u>		<u>Senior Citizens Fund</u>	<u>Non-Major Special Revenue Funds</u>	<u>Proprietary Fund</u>
Accrual basis		\$ 108,231	\$ 20,899	\$ 56,858
Budget basis		<u>110,729</u>	<u>20,899</u>	<u>55,209</u>
Increase (decrease) in receivables		<u>\$ (2,498)</u>	<u>\$ -</u>	<u>\$ 1,649</u>
<u>Expenditures</u>				
Accrual basis		\$ 94,310	\$ 20,899	\$ 59,624
Budget basis		94,688	20,899	52,006
Depreciation		-	-	(11,050)
Principal paid		<u>-</u>	<u>-</u>	<u>3,432</u>
(Increase) decrease in inventory		<u>\$ (378)</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

6. CAPITAL ASSETS

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	Balance June 30, 2010	Additions	Adjustments	Deletions	Balance June 30, 2011
Land	\$ 11,200	\$ -	\$ -	\$ -	\$ 11,200
Total capital assets not being depreciated	<u>11,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,200</u>
Land improvements	10,000	-	-	-	10,000
Buildings	635,998	268,560	-	-	904,558
Infrastructure	361,552	-	-	-	361,552
Vehicles	<u>954,763</u>	<u>252,164</u>	<u>-</u>	<u>-</u>	<u>1,206,927</u>
Total capital assets being depreciated	<u>1,962,313</u>	<u>520,724</u>	<u>-</u>	<u>-</u>	<u>2,483,037</u>
Less accumulated depreciation for:					
Land improvements	(2,000)	(1,000)	-	-	(3,000)
Buildings	(348,614)	(34,843)	-	-	(383,457)
Infrastructure	(108,466)	(12,052)	-	-	(120,518)
Vehicles	<u>(206,676)</u>	<u>(56,497)</u>	<u>-</u>	<u>-</u>	<u>(263,173)</u>
Total accumulated depreciation	<u>(665,756)</u>	<u>(104,392)</u>	<u>-</u>	<u>-</u>	<u>(770,148)</u>
Total capital assets being depreciated	<u>1,296,557</u>	<u>416,332</u>	<u>-</u>	<u>-</u>	<u>1,712,889</u>
Net capital assets	<u>\$ 1,307,757</u>	<u>\$ 416,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,724,089</u>

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Land	\$ 10,488	\$ -	\$ -	\$ 10,488
Sub-total	<u>10,488</u>	<u>-</u>	<u>-</u>	<u>10,488</u>
Land improvements	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-
Plant	331,501	-	-	331,501
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>331,501</u>	<u>-</u>	<u>-</u>	<u>331,501</u>
Land improvements	-	-	-	-
Buildings	-	-	-	-
Plant	(103,719)	(11,050)	-	(114,769)
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>(103,719)</u>	<u>(11,050)</u>	<u>-</u>	<u>(114,769)</u>
Net capital assets	<u>\$ 238,270</u>	<u>\$ (11,050)</u>	<u>\$ -</u>	<u>\$ 227,220</u>

Notes to Financial Statements (continued)

7. ACCOUNTS RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 5,952
Less allowance for uncollectible accounts	-	-
Subtotal	-	5,952
Gross receipts taxes receivable	1,266	-
Property taxes receivable	-	-
Intergovernmental	2,934	-
 Total	 <u>\$ 4,200</u>	 <u>\$ 5,952</u>

8. RETIREMENT PLAN

Plan Description. Substantially all of Village of Grady's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Board (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 and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7% of their gross salary. The Village of Grady is required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Village of Grady are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village of Grady contributions to PERA for the year ending June 30, 2011, 2010 and 2009 were \$2,503, \$2,351 and \$4,407 respectively equal to the amount of the required contributions for the year.

9. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Village has elected not to participate in the Retiree Health Care Act of New Mexico's retiree health care program.

10. FUND BALANCES CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

Notes to Financial Statements (continued)

<u>Fund Balances</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>EMS Fund</u>	<u>Gas Tax Fund</u>	<u>Senior Citizens Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Totals</u>
<u>Nonspendable:</u>							
Interfund loans	\$ 66,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,046
Inventory	-	-	-	-	1,629	-	1,629
Total nonspendable	<u>66,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,629</u>	<u>-</u>	<u>67,675</u>
<u>Restricted for:</u>							
Road improvements	-	-	-	37,960	-	-	37,960
Fire protection	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Emergency services	-	-	960	-	-	-	960
Senior services	-	-	-	-	13,840	-	13,840
Total restricted	<u>-</u>	<u>-</u>	<u>960</u>	<u>37,960</u>	<u>13,840</u>	<u>-</u>	<u>52,760</u>
<u>Committed to:</u>							
Other purposes	-	(65,984)	-	-	-	-	(65,984)
Total committed	<u>-</u>	<u>(65,984)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,984)</u>
<u>Unassigned:</u>	<u>97,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,661</u>
Total Fund Balances	<u>\$ 163,707</u>	<u>\$ (65,984)</u>	<u>\$ 960</u>	<u>\$ 37,960</u>	<u>\$ 15,469</u>	<u>\$ -</u>	<u>\$ 152,112</u>

11. RESTATEMENT - FUND BALANCE/STATEMENT OF ACTIVITIES

The June 30, 2010 audit report did not include cash located at New Mexico Finance Authority reserved for the payment of a loan. The total net effect being \$22,294.

12. RESTATEMENT - FUND BALANCE/STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE

The June 30, 2010 audit report did not include cash located at New Mexico Finance Authority reserved for the payment of a loan. The total net effect being \$22,294.

**NON-MAJOR
SPECIAL REVENUE FUNDS**

LAW ENFORCEMENT PROTECTION 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
 Non-Major Governmental Funds
 Balance Sheet
 June 30, 2011

Statement A-1

	Law Enforcement Protection Fund
	<u> </u>
ASSETS	
Cash on deposit	\$ -
Accounts receivable	<u>-</u>
Total assets	<u><u>\$ -</u></u>
FUND BALANCE	
Restricted	<u>\$ -</u>
Total fund balance	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Non-Major Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

Statement A-2

	Law Enforcement Protection Fund
REVENUES	
Charges for services	\$ -
Local sources	899
State sources	20,000
State shared taxes	-
Earnings from investments	-
Total revenues	20,899
 EXPENDITURES	
Current:	
General government	-
Highways & streets	-
Public safety	20,899
Culture and recreation	-
Total expenditures	20,899
 Excess (deficiency) revenues over expenditures	-
 OTHER FINANCING SOURCES (USES)	
Operating transfers in	-
Operating transfers out	-
Total other financing sources (uses)	-
 Net change in fund balances	-
 Fund balance beginning of year	-
 Fund balance end of year	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Non-Major Special Revenue Fund - Law Enforcement Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 899	\$ 899	\$ -
State sources	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>\$ -</u>
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,899</u>	<u>\$ 20,899</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	<u>\$ 20,000</u>	<u>\$ 20,899</u>	<u>\$ 20,899</u>	<u>\$ -</u>
Total expenditures	<u>\$ 20,000</u>	<u>\$ 20,899</u>	<u>\$ 20,899</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

PROPRIETARY FUND DETAIL

PROPRIETARY FUNDS BUDGETS

WATER FUND - To account for the provision of water services to the residents of Grady, New Mexico. All activities necessary to provide these services are accounted for in this fund.

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Proprietary Funds
 Water Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 42,400	\$ 42,400	\$ 51,974	\$ 9,574
Local sources	4,250	4,250	3,234	(1,016)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
Total revenues	<u>\$ 46,650</u>	<u>\$ 46,650</u>	<u>\$ 55,208</u>	<u>\$ 8,558</u>
EXPENDITURES				
Personal services	\$ 5,840	\$ 5,214	\$ 4,091	\$ 1,123
Maintenance and operations	41,628	49,254	47,915	1,339
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 47,468</u>	<u>\$ 54,468</u>	<u>\$ 52,006</u>	<u>\$ 2,462</u>
BUDGETED CASH BALANCE	<u>\$ 32,849</u>	<u>\$ 32,849</u>		

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

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**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. Hector H. Balderas
New Mexico State Auditor
and
Honorable Mayor and Village Council
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 aggregate remaining fund information, the budgetary comparisons of the General, Fire Protection, EMS, Gas Tax and Senior Citizens Funds of the Village of Grady, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 25, 2011. We also have audited the financial statements of each of the Village's non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011. 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 the 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 Village of Grady's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be

deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Grady's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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, the Office of the State Auditor, the New Mexico State Legislature, applicable federal grantors and the New Mexico Department of Finance and Administration and is not intended to be used by anyone other than these specified parties.

Rice & Associates, LLP

August 25, 2011

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings

1. Late Audit Report (10-01) - Resolved.

Current Year Audit Findings

NONE

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2011 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held on August 25, 2011. In attendance were Ms. Leona Powell, Clerk/Treasurer, Mr. Wesley Shafer, Mayor and Ms. Pamela A. Rice, CPA, Contract Auditor.