

STATE OF NEW MEXICO

VILLAGE OF GRADY

AUDIT REPORT

For the Year Ended June 30, 2014

(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, 2014

(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, 2014

Village Council

<u>Name</u>	<u>Title</u>
Mr. Wesley Shafer	Mayor
Ms. Kathy Edwards	Mayor Pro-Tem
Ms. Mae Szaloy	Member
Mr. Wesly Jones	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

Report on Financial Statements

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 comparisons for the General, Fire Protection, EMS, Gas Tax, Senior Citizens and Law Enforcement Funds of the Village of Grady, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Village of Grady's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village of Grady's nonmajor enterprise funds and the budgetary comparisons for the enterprise funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Fire Protection, EMS, Gas Tax, Senior Citizens and Law Enforcement Funds for the year then ended in accordance 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 enterprise fund of the Village of Grady, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village of Grady's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparison for the enterprise fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparisons for the enterprise fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison for the enterprise fund fairly states, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2014 on our consideration of the Village of Grady's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Grady's internal control over financial reporting and compliance.

Rice & Associates, CPA

Albuquerque, New Mexico
August 11, 2014

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Net Position
June 30, 2014

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 320,429	\$ 30,719	\$ 351,148
Accounts receivable (net of uncollectible accounts)	3,889	5,022	8,911
Prepaid expenses	2,800	-	2,800
Inventory	2,272	-	2,272
Total current assets	329,390	35,741	365,131
Capital Assets			
Land	11,200	3,100	14,300
Land improvements	23,232	7,388	30,620
Buildings and improvements	1,017,760	-	1,017,760
Vehicles/heavy equipment	1,151,978	37,982	1,189,960
Equipment	4,159	7,438	11,597
Plant/Infrastructure	361,552	331,501	693,053
Total capital assets	2,569,881	387,409	2,957,290
Less accumulated depreciation	(1,015,872)	(193,339)	(1,209,211)
Total capital assets (net of accumulated depreciation)	1,554,009	194,070	1,748,079
Total assets	\$ 1,883,399	\$ 229,811	\$ 2,113,210

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Statement of Net Position
June 30, 2014

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
NMFA Loan	<u>19,765</u>	<u>3,861</u>	<u>23,626</u>
Total current liabilities	<u>19,765</u>	<u>3,861</u>	<u>23,626</u>
Non-Current Liabilities			
Compensated absences payable	2,252	-	2,252
NMFA Loan	<u>131,114</u>	<u>16,637</u>	<u>147,751</u>
Total non-current liabilities	<u>133,366</u>	<u>16,637</u>	<u>150,003</u>
Total liabilities	<u>153,131</u>	<u>20,498</u>	<u>173,629</u>
Net Position			
Net investment in capital assets	1,403,130	173,572	1,576,702
Unrestricted	<u>327,138</u>	<u>35,741</u>	<u>362,879</u>
Total net position	<u>1,730,268</u>	<u>209,313</u>	<u>1,939,581</u>
Total liabilities and net position	<u><u>\$ 1,883,399</u></u>	<u><u>\$ 229,811</u></u>	<u><u>\$ 2,113,210</u></u>

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, 2014

Net (Expenses) Revenue and
Changes in Net Position

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 89,969	\$ -	\$ 3,141	\$ -	\$ (86,828)	\$ -	\$ (86,828)
Highways and streets	-	-	-	-	-	-	-
Public safety	78,267	-	195,568	-	117,301	-	117,301
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	90,504	10,813	84,719	-	5,028	-	5,028
Interest	3,581	-	-	-	(3,581)	-	(3,581)
Depreciation - unallocated	103,199	-	-	-	(103,199)	-	(103,199)
Total governmental activities	<u>365,520</u>	<u>10,813</u>	<u>283,428</u>	<u>-</u>	<u>(71,279)</u>	<u>-</u>	<u>(71,279)</u>
Business-type activities:							
Water services	70,082	55,133	404	-	-	(14,545)	(14,545)
Total business-type activities	<u>70,082</u>	<u>55,133</u>	<u>404</u>	<u>-</u>	<u>-</u>	<u>(14,545)</u>	<u>(14,545)</u>
Total all activities	<u>\$ 435,602</u>	<u>\$ 65,946</u>	<u>\$ 283,832</u>	<u>\$ -</u>	<u>(71,279)</u>	<u>(14,545)</u>	<u>(85,824)</u>
General Revenues:							
Property taxes	-	-	-	-	4,184	-	4,184
Gross receipts taxes	-	-	-	-	18,169	-	18,169
Franchise taxes	-	-	-	-	435	-	435
Gasoline taxes	-	-	-	-	5,088	-	5,088
Motor vehicle taxes	-	-	-	-	219	-	219
State aid not restricted to special purpose	-	-	-	-	-	-	-
General	-	-	-	-	90,000	-	90,000
Transfers	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	3	-	3
Total general revenues					<u>118,098</u>		<u>118,098</u>
Change in net position					<u>46,819</u>	<u>(14,545)</u>	<u>32,274</u>
Net position - beginning of year					<u>1,683,449</u>	<u>223,858</u>	<u>1,907,307</u>
Net position - ending					<u>\$ 1,730,268</u>	<u>\$ 209,313</u>	<u>\$ 1,939,581</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, 2014

Statement 3

	General Fund	Fire Protection Fund	EMS Fund	Gas Tax Fund	Senior Citizens Fund	Law Enforcement Funds	Total Governmental Funds
ASSETS							
Cash on deposit	\$ 219,839	\$ 24,243	\$ 44	\$ 53,424	\$ 22,879	\$ -	\$ 320,429
Accounts receivable	1,283	-	-	-	2,606	-	3,889
Prepaid expense	2,800	-	-	-	-	-	2,800
Inventory	-	-	-	-	2,272	-	2,272
Total assets	\$ 223,922	\$ 24,243	\$ 44	\$ 53,424	\$ 27,757	\$ -	\$ 329,390
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE							
Nonspendable	-	-	-	-	2,272	-	2,272
Restricted	-	24,243	44	53,424	25,485	-	103,196
Committed	-	-	-	-	-	-	-
Unassigned	223,922	-	-	-	-	-	223,922
Total fund balance	223,922	-	44	53,424	27,757	-	329,390
Total liabilities and fund balance	\$ 223,922	\$ -	\$ 44	\$ 53,424	\$ 27,757	\$ -	\$ 329,390

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 Position
June 30, 2014

Statement 4

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

Total fund balances - governmental funds	\$	329,390
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		2,569,881
Accumulated depreciation		<u>(1,015,872)</u>
		1,554,009
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		(150,879)
Compensated absences		<u>(2,252)</u>
		<u>(153,131)</u>
Net position of governmental activities	\$	<u><u>1,730,268</u></u>

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, 2014

	General Fund	Fire Protection Fund	EMS Fund	Gas Tax Fund	Senior Citizens Fund	Law Enforcement Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 4,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,184
Charges for services	-	-	-	-	10,813	-	10,813
Licenses and permits	-	-	-	-	-	-	-
Local sources	3,575	836	-	-	5,621	-	10,032
State sources	90,000	167,129	7,603	-	64,279	20,000	349,011
Federal sources	-	-	-	-	14,819	-	14,819
State shared taxes	18,389	-	-	5,088	-	-	23,477
Earnings from investments	-	3	-	-	-	-	3
Total revenues	<u>116,148</u>	<u>167,968</u>	<u>7,603</u>	<u>5,088</u>	<u>95,532</u>	<u>20,000</u>	<u>412,339</u>
EXPENDITURES							
Current:							
General government	89,003	-	-	-	-	-	89,003
Highways and streets	-	-	-	-	-	-	-
Public safety	-	49,444	7,660	-	-	21,163	78,267
Health & welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	90,504	-	90,504
Capital outlay	-	4,593	-	-	4,159	-	8,752
NMFA principle	-	19,393	-	-	-	-	19,393
NMFA interest	-	3,581	-	-	-	-	3,581
Total expenditures	<u>89,003</u>	<u>77,011</u>	<u>7,660</u>	<u>-</u>	<u>94,663</u>	<u>21,163</u>	<u>289,500</u>
Net change in fund balances	<u>27,145</u>	<u>90,957</u>	<u>(57)</u>	<u>5,088</u>	<u>869</u>	<u>(1,163)</u>	<u>122,839</u>
Fund balance beginning of year	<u>196,777</u>	<u>(66,714)</u>	<u>101</u>	<u>48,336</u>	<u>26,888</u>	<u>1,163</u>	<u>206,551</u>
Fund balance end of year	<u>\$ 223,922</u>	<u>\$ 24,243</u>	<u>\$ 44</u>	<u>\$ 53,424</u>	<u>\$ 27,757</u>	<u>\$ -</u>	<u>\$ 329,390</u>

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, 2014

Net change in fund balances - total governmental funds \$ 122,839

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
 depreciation expense exceeds capital outlays in the period.

Depreciation expense	(103,199)
Capital outlays	<u>8,752</u>

Excess of capital outlay over depreciation expense (94,447)

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	(966)
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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.

Repayment of long-term debt	<u>19,393</u>
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Change in net position of governmental activities	<u>\$ 46,819</u>
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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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,478	\$ 4,478	\$ 4,137	\$ (341)
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Local sources	6,478	6,478	3,575	(2,903)
State sources	93,200	93,200	90,000	(3,200)
Federal sources	-	-	-	-
State shared taxes	24,900	24,900	18,368	(6,532)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 129,056</u>	<u>\$ 129,056</u>	<u>\$ 116,080</u>	<u>\$ (12,976)</u>
EXPENDITURES				
Current:				
General government	\$ 100,142	\$ 100,142	\$ 86,203	\$ 13,939
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 100,142</u>	<u>\$ 100,142</u>	<u>\$ 86,203</u>	<u>\$ 13,939</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 1,000	\$ 1,000	\$ 836	\$ (164)
State sources	167,129	167,129	167,129	-
Federal sources	-	-	-	-
Earnings from investments	-	-	3	3
Total revenues	<u>\$ 168,129</u>	<u>\$ 168,129</u>	<u>\$ 167,968</u>	<u>\$ (161)</u>
EXPENDITURES				
Public safety	\$ 89,420	\$ 89,420	\$ 77,011	\$ 12,409
Total expenditures	<u>\$ 89,420</u>	<u>\$ 89,420</u>	<u>\$ 77,011</u>	<u>\$ 12,409</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	7,613	7,613	7,603	(10)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 7,613</u>	<u>\$ 7,613</u>	<u>\$ 7,603</u>	<u>\$ (10)</u>
EXPENDITURES				
Public safety	\$ 7,715	\$ 7,715	\$ 7,660	\$ 55
Total expenditures	<u>\$ 7,715</u>	<u>\$ 7,715</u>	<u>\$ 7,660</u>	<u>\$ 55</u>
BUDGETED CASH BALANCE	<u>\$ 102</u>	<u>\$ 102</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
State shared taxes	5,004	5,004	5,088	84
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 5,004</u>	<u>\$ 5,004</u>	<u>\$ 5,088</u>	<u>\$ 84</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 9,100	\$ 9,100	\$ 10,813	\$ 1,713
Local sources	3,313	3,313	5,621	2,308
State sources	72,119	72,119	65,511	(6,608)
Federal sources	11,380	11,380	15,045	3,665
Earnings from investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 95,912</u>	<u>\$ 95,912</u>	<u>\$ 96,990</u>	<u>\$ 1,078</u>
EXPENDITURES				
Culture and recreation	<u>\$ 103,307</u>	<u>\$ 103,307</u>	<u>\$ 95,147</u>	<u>\$ 8,160</u>
Total expenditures	<u>\$ 103,307</u>	<u>\$ 103,307</u>	<u>\$ 95,147</u>	<u>\$ 8,160</u>
BUDGETED CASH BALANCE	<u>\$ 7,395</u>	<u>\$ 7,395</u>		

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

STATE OF NEW MEXICO
 VILLAGE OF GRADY
 Law Enforcement Protection Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
EXPENDITURES				
Public safety	\$ 21,163	\$ 21,163	\$ 21,163	\$ -
Total expenditures	<u>\$ 21,163</u>	<u>\$ 21,163</u>	<u>\$ 21,163</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 1,163</u>	<u>\$ 1,163</u>		

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

STATE OF NEW MEXICO
VILLAGE OF GRADY
Proprietary Funds
Statement of Net Position
June 30, 2014

Statement 13

	Water Fund
ASSETS	
Current Assets	
Cash on deposit	\$ 30,719
Accounts receivable (net)	<u>5,022</u>
Total Current Assets	<u>35,741</u>
Capital Assets	
Land	3,100
Land improvements	7,388
Vehicles	37,982
Equipment	7,438
Plant/infrastructure	331,501
Accumulated depreciation	<u>(193,339)</u>
Total Capital Assets	<u>194,070</u>
Total Assets	<u>\$ 229,811</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$
Current portion loan payable	<u>3,861</u>
Total Current Liabilities	<u>3,861</u>
Long-Term Liabilities	
RIP loan payable	<u>16,637</u>
Total Long-Term Liabilities	<u>16,637</u>
Total Liabilities	<u>20,498</u>
NET POSITION	
Net investment in Capital Assets	173,572
Unrestricted	<u>35,741</u>
Total Net Position	<u>209,313</u>
Total Liabilities and Net Position	<u>\$ 229,811</u>

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 Position
For the Year Ended June 30, 2014

Statement 14

	Water Fund
OPERATING REVENUES	
Sales and services	\$ 55,133
Local source	404
Total operating revenue	55,537
OPERATING EXPENSES	
Personal services	5,353
Maintenance and operations	36,196
Major contractual services	16,756
Depreciation	11,050
Total operating expenses	69,355
Operating income (loss)	(13,818)
NON-OPERATING REVENUE (EXPENSE)	
Investment income	-
Investment expense	(727)
Transfers in	-
Transfers out	-
State grant	-
Federal grant	-
Total Non-Operating Revenue (Expense)	(727)
Change in Net Position	(14,545)
Total net position, beginning of year	223,858
Total net position, end of year	\$ 209,313

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, 2014

Statement 15

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 55,224
Cash received from local sources	404
Cash payments to employees and to suppliers for goods and services	(58,305)
Net cash provided by operating activities	(2,677)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid	(3,749)
Acquisition of capital assets	-
Investment expense	(727)
Net cash provided (used) by capital and related financing activities	(4,476)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	-
Net cash provided by investing activities	-
Net increase (decrease) in cash	(7,153)
Cash, beginning of year	37,872
Cash, end of year	\$ 30,719
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (13,818)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,050
Changes in assets and liabilities:	
(Increase) decrease in receivables	91
Increase (decrease) in accounts payable	-
Net cash provided (used) by operating activities	\$ (2,677)

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, 2014

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 judgements, 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 *Law Enforcement Protection Fund* (Special Revenues Fund) accounts for the receipts of a State of New Mexico Law Enforcement grant and expenditures to provide law enforcement services to residents of the Village.

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.

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

Notes to Financial Statements (continued)

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.

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.

Notes to Financial Statements (continued)

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.

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.

Notes to Financial Statements (continued)

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. Taxes

Franchise Taxes - By authority of Chapter 3, Article 42, NMSA 1978 and various ordinances, the Village imposes a franchise tax on certain public utilities operating within the municipality.

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies with the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 1978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the Village adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Village after deducting certain administrative costs.

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

K. 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".

Notes to Financial Statements (continued)

L. Net Assets

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

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

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

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

M. 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.

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 purposed 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

Notes to Financial Statements (continued)

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.

N. 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.

O. 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.

P. 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.

Notes to Financial Statements (continued)

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	\$ 370,002
New Mexico			
Finance Authority			<u>6</u>
			<u>\$ 370,008</u>
Total amount on deposit			\$ 370,008
Deposit in transit			-
Outstanding checks			<u>(18,860)</u>
Total per financial statements			<u>\$ 351,148</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	\$ 370,008
Less <u>FDIC</u>	<u>(250,000)</u>
Uninsured funds	120,002
Funds needing collateralization at 50% (required by State Law)	60,001
Pledged collateral at June 30	<u>69,873</u>
Excess of Pledged Collateral	<u>\$ 9,872</u>

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, \$120,002 of the Village's bank balance \$351,148 was exposed to custodial credit risk as follows:

A. Uninsured and Uncollateralized	\$ 50,129
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the Village's name	<u>69,873</u>
Total	<u>\$ 120,002</u>

Notes to Financial Statements (continued)

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 collateral pledged is shown as follows:

<u>Bank of New York Mellon</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FN #3138AXCP4	11-1-26	\$ 42,607
FN #31417EKV2	1-1-43	<u>27,266</u>
	Total	<u>\$ 69,873</u>

The amount held at the New Mexico Finance Authority totaling \$6 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. 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	\$ -	\$ 5,022
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Subtotal	-	5,022
Gross receipts taxes receivable	1,283	-
Property taxes receivable	-	-
Intergovernmental	<u>2,606</u>	<u>-</u>
Total	<u>\$ 3,889</u>	<u>\$ 5,022</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.

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.

Notes to Financial Statements (continued)

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. 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, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated absences payable	\$ 1,285	\$ 966	\$ -	\$ 2,251	\$ -

The liability will be liquidated by the General Fund.

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
NMFA Loan	\$ 170,272	\$ -	\$ 19,393	\$ 150,879	\$ 19,765

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 Village has pledged future State Fire Fund revenues to pay the loan. 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.

Due Year Ending June 30	Principal	Interest	Total
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	\$ 150,879	\$ 15,328	\$ 166,207

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:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
RIP Loan	\$ 24,248	\$ -	\$ 3,749	\$ 20,499	\$ 3,861

Notes to Financial Statements (continued)

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 Village has pledged future water revenues to repay the loan. The total annual principal and interest payments for the loan are expected to require less than 7% of gross revenue. 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>
2015	\$ 3,861	\$ 615	\$ 4,476
2016	3,977	499	4,476
2017	4,096	380	4,476
2018	4,219	258	4,477
2019	<u>4,346</u>	<u>132</u>	<u>4,478</u>
Total	<u>\$ 20,499</u>	<u>\$ 1,884</u>	<u>\$ 22,383</u>

6. CAPITAL ASSETS

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

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Land	\$ 11,200	\$ -	\$ -	\$ 11,200
Total capital assets not being depreciated	<u>11,200</u>	<u>-</u>	<u>-</u>	<u>11,200</u>
Land improvements	23,232	-	-	23,232
Buildings	1,017,760	-	-	1,017,760
Infrastructure	361,552	-	-	361,552
Vehicles	1,147,385	4,593	-	1,151,978
Equipment	<u>-</u>	<u>4,159</u>	<u>-</u>	<u>4,159</u>
Total capital assets being depreciated	<u>2,549,929</u>	<u>8,752</u>	<u>-</u>	<u>2,558,681</u>
Less accumulated depreciation for:				
Land improvements	(7,646)	(2,323)	-	(9,969)
Buildings	(446,271)	(31,407)	-	(477,678)
Infrastructure	(144,622)	(12,052)	-	(156,674)
Vehicles	(314,135)	(56,585)	-	(370,720)
Equipment	<u>-</u>	<u>(832)</u>	<u>-</u>	<u>(832)</u>
Total accumulated depreciation	<u>(912,674)</u>	<u>(103,199)</u>	<u>-</u>	<u>(1,015,873)</u>
Total capital assets being depreciated	<u>1,637,255</u>	<u>(94,447)</u>	<u>-</u>	<u>1,542,808</u>
Net capital assets	<u>\$ 1,648,455</u>	<u>\$ (94,447)</u>	<u>\$ -</u>	<u>\$ 1,554,008</u>

Notes to Financial Statements (continued)

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
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	37,982	-	-	37,982
Equipment	<u>7,438</u>	<u>-</u>	<u>-</u>	<u>7,438</u>
Sub-total	<u>376,921</u>	<u>-</u>	<u>-</u>	<u>376,921</u>
Land improvements	-	-	-	-
Buildings	-	-	-	-
Plant	(136,869)	(11,050)	-	(147,919)
Vehicles	(37,982)	-	-	(37,982)
Equipment	<u>(7,438)</u>	<u>-</u>	<u>-</u>	<u>(7,438)</u>
Sub-total	<u>(182,289)</u>	<u>(11,050)</u>	<u>-</u>	<u>(193,339)</u>
Net capital assets	<u>\$ 205,120</u>	<u>\$ (11,050)</u>	<u>\$ -</u>	<u>\$ 194,070</u>

7. 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	\$116,148	\$ 167,968	\$ 7,603	\$ 5,088
Budget basis	<u>116,080</u>	<u>167,968</u>	<u>7,603</u>	<u>5,088</u>
Increase (decrease) in receivables	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures</u>				
Accrual basis	\$ 89,003	\$ 77,011	\$ 7,660	\$ -
Budget basis	86,203	77,011	7,660	-
Capital outlay	-	-	-	-
Prepaid expense	<u>2,800</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>Law Enforcement Funds</u>	<u>Proprietary Fund</u>
Accrual basis		\$ 95,532	\$ 20,000	\$ 55,537
Budget basis		<u>96,990</u>	<u>20,000</u>	<u>55,628</u>
Increase (decrease) in receivables		<u>\$ (1,458)</u>	<u>\$ -</u>	<u>\$ (91)</u>
<u>Expenditures</u>				
Accrual basis		\$ 94,663	\$ 21,163	\$ 70,082
Budget basis		95,147	21,163	62,781
Depreciation		-	-	(11,050)
Principal paid		<u>-</u>	<u>-</u>	<u>3,749</u>
(Increase) decrease in inventory		<u>\$ (484)</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

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, 2014, 2013 and 2012 were \$3,618, \$2,439 and \$2,377 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.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>BMS Fund</u>	<u>Gas Tax Fund</u>	<u>Senior Citizens Fund</u>	<u>Law Enforcement Fund</u>	<u>Totals</u>
<u>Nonspendable:</u>							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 2,272	\$ -	\$ 2,272
Total nonspendable	-	-	-	-	2,272	-	2,272
<u>Restricted for:</u>							
Road improvements	-	-	-	53,424	-	-	53,424
Fire protection	-	24,243	-	-	-	-	24,243
Law enforcement	-	-	-	-	-	-	-
Emergency services	-	-	44	-	-	-	44
Senior services	-	-	-	-	25,485	-	25,485
Total restricted	-	24,243	44	53,424	25,485	-	103,196
<u>Committed to:</u>							
Other purposes	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-
<u>Unassigned:</u>	223,922	-	-	-	-	-	223,922
Total Fund Balances	\$ 223,922	\$ 24,243	\$ 44	\$ 53,424	\$ 27,757	\$ -	\$ 329,390

Notes to Financial Statements (continued)

11. PRE-PAID EXPENSE

The Village pre-paid a maintenance agreement for a four-year term. The agreement was purchased July, 2011. The total paid was \$11,200 of which is to be amortized over the next three years in the amount of \$2,800.

12. JOINT POWERS AGREEMENT

The Village of Grady has a Joint Powers Agreement with the Curry County Sheriffs Office to provide Law Enforcement Coverage within the Village limits. The Village and the County are both responsible parties to the Joint Powers Agreement. The beginning date of the agreement was April 5, 2013 and remains in effect for one year. The estimated amount of the project is \$0. The Village of Grady has contributed \$20,000 from the Law Enforcement Protection Fund to help costs of training and simple supplies of the Law Enforcement Officers of the County. The audit responsibility for these costs is the Village of Grady. The fiscal agent for this agreement is the Village of Grady.

13. LEGISLATURE APPROPRIATIONS

The Village of Grady received an appropriation of \$100,000 to purchase and equip a fire truck. This appropriation has been completed and there is no remaining balance.

<u>Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Laws of 2013, Chapter 202, Section 10, Fund 89 Capital Appropriation Project	October 17, 2013 to June 30, 2016	\$ 100,000	\$ -

14. PENSION LIABILITY

Agencies that contribute to pensions subject to GASB 68 must include a pension liability in the financial statements beginning in the fiscal year ending June 30, 2015 audit report. At this time the Public Employees Retirement Association is a pension that will fall under the requirements of GASB 68. This liability and the total amount needed to be reported are unknown at this time.

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and services	\$ 50,650	\$ 50,650	\$ 55,224	\$ 4,574
Local sources	750	750	404	(346)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest income	-	-	-	-
Total revenues	\$ 51,400	\$ 51,400	\$ 55,628	\$ 4,228
EXPENDITURES				
Personal services	\$ 5,500	\$ 5,500	\$ 5,353	\$ 147
Maintenance and operations	62,522	62,522	57,428	5,094
Capital outlay	-	-	-	-
Total expenditures	\$ 68,022	\$ 68,022	\$ 62,781	\$ 5,241
BUDGETED CASH BALANCE	\$ 16,622	\$ 16,622		

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**

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Fire Protection, EMS, Gas Tax, Senior Citizens and Law Enforcement Funds of the Village of Grady, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Village of Grady's basic financial statements, and the related budgetary comparison of the enterprise fund, presented as supplemental information, and have issued our report thereon dated June 30, 2014.

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.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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.

Purpose of this Report

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

Rios & Associates, C.P.A.

Albuquerque, New Mexico
August 11, 2014

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings

1. Receipts Not Issued For All Revenues Received - (13-01) - 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, 2014 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 11, 2014. In attendance were Ms. Leona Powell, Clerk/Treasurer, Mr. Wesley Shafer, Mayor, Mr. Jimmy Schell, Council Member, Mr. Wesly Jones, Council Member, Ms. Mae Szaloy, Council Member, Ms. Kathy Edwards, Council Member and Ms. Pamela A. Rice, CPA, Contract Auditor. A properly closed regular session was held.