

**STATE OF NEW MEXICO
CITY OF GRANTS**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2008

CITY OF GRANTS

TABLE OF CONTENTS JUNE 30, 2008

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Fund Balance Governmental Funds to Government Activities Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis): General Fund	18
PROPRIETARY FUNDS:	
Statement of Fund Net Assets	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Statement of Cash Flows	21
FIDUCIARY FUNDS:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	23
NOTES TO FINANCIAL STATEMENTS	24
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS:	
SPECIAL REVENUE FUNDS:	51
Combining Balance Sheets	53
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	57
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Cemetery Perpetual Care Fund	61
Emergency Medical Services Fund	62
Fire Protection Fund	63
Foster Grandparents Program Fund	64
Gasoline Road Tax Fund	65
Housing Authority Capital Funds Program	66
Housing Authority Vouchers Fund	67
Juvenile Recreation Fund	68
Law Enforcement Protection Fund	69

CITY OF GRANTS

TABLE OF CONTENTS JUNE 30, 2008

	<u>Page</u>
SPECIAL REVENUE FUNDS (CONTINUED):	
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Litter Control and Beautification Fund	70
Local Government Corrections Fund	71
Lodgers' Tax Fund	72
Lodgers' Tax Promotional Fund	73
Senior Companion Program Fund	74
Senior Employment Program Fund	75
Special Library Donation Fund	76
State and Local Narcotics Assistance Control Program Fund	77
DEBT SERVICE FUNDS:	78
Combining Balance Sheets	79
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	81
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Interest and Sinking Fund	83
GRT Revenue Bond Debt Service Fund 1993A	84
GRT Revenue Bond Reserve Fund 1993A	85
NMFA Loan Fund	86
NMFA Reserve Fund	87
Total All Nonmajor Governmental Fund Types:	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	89
PROPRIETARY FUNDS:	90
Combining Balance Sheets	91
Combining Statements of Revenues, Expenses, and Changes in Net Assets	92
Combining Statements of Cash Flows	93
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Enterprise Funds:	
Golf Course Operating Fund	95
Home Program	96
Low Rent	97
Utilities	98
CAPITAL PROJECTS FUND:	
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
General Government Improvements	99

CITY OF GRANTS

TABLE OF CONTENTS JUNE 30, 2008

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
AGENCY FUNDS:	100
Schedule of Changes in Assets and Liabilities	101
Schedule of Joint Powers Agreements	102
ADDITIONAL FEDERAL INFORMATION:	
Schedule of Expenditures of Federal Awards	103
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	105
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	107
Schedule of Findings and Questioned Costs	109
Exit Conference	116

CITY OF GRANTS

OFFICIAL ROSTER
JUNE 30, 2008

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>
<i>Joe Murrietta</i>	<i>Mayor</i>
<i>Fred Rodarte</i>	<i>Mayor Pro-Tem</i>
<i>Walter Jaramillo</i>	<i>Councilor</i>
<i>Martin Hicks</i>	<i>Councilor</i>
<i>Ron Ortiz</i>	<i>Councilor</i>

ADMINISTRATIVE STAFF

<i>Bob Horacek</i>	<i>City Manager</i>
<i>Michelle Lucero</i>	<i>Systems Analyst</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
City of Grants
Grants, 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 of the City of Grants (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 City of Grants, as of June 30, 2008, the respective changes in financial position and cash flows, where applicable, there of and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor enterprise fund of the City of Grants as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, there of and the respective budgetary comparisons for the major capital projects fund, nonmajor governmental and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008 on our consideration of the City of Grants' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kriegel/Gray/Shaw & Co., P.C.

November 21, 2008

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

As management of the City of Grants, we offer our residents and others who may read the City of Grants' financial statements this narrative overview and analysis of the financial activities of the City of Grants for fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased over the course of this year's operations.
- During the year the City's expenses were \$1,994,078 less than the \$10,499,185 generated in taxes and other revenues for governmental programs.
- In the City's business-type activities, revenues increased 10% to \$5,605,728 while expenses decreased .5%.
- The general fund reported a surplus this year of \$1,068,713.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Grants' basic financial statements. The City of Grants' basic financial statements consist of three separate components: 1) government-wide financial statements: 2) fund financial statements: and 3) notes to the financial statements. This report also contains other supplementary information, including budgetary comparison information, in addition to the basic financial statements.

Governmental-Wide Financial Statements

The government-wide financial statements include a statement of net assets with all government funds and account types. In addition, a statement of activities for government activities and business activities are included.

The statement of net assets reports all financial and capital resources. The statement of net assets presents information on all the City of Grants' assets and liabilities using the accrual basis of accounting. Over time increases or decreases in net assets may determine whether the financial position of the City of Grants is improving or deteriorating.

The statements of accounts illustrate the statement of activities for the City of Grants. The statement of activities presents information, which illustrates how the City's net assets changed during the most recent fiscal year. Again, revenues and expenses are recorded using the accrual basis of accounting. The statement of activities includes revenues from governmental activities as well as business-type activities.

The City of Grants, also known as the primary government, is predominantly financed through taxes, intergovernmental revenues, and other non-exchange revenues. These governmental activities include general government, public safety, public works, health and welfare and cultural and recreation. These governmental activities are classified and reported in governmental funds and special revenue funds. The business type activities are financed primarily from user fees charged to external parties for goods and or services. These activities are reported in enterprise funds in our financial statements. The City of Grants' business type activities include water and sewer systems, refuse, the City golf course, and housing.

The government-wide financial statements can be found on pages 12 through 13 of this report.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Fund Financial Statements

The City of Grants accounts for its finances through several fiscal and accounting entities called funds. We, like other state and local governments use fund accounting to comply with state statutes regarding all finance-related transactions. The City of Grants has created its respective funds to establish a measure of flow from financial resources and/or to determine net income or net loss. These funds allow the City of Grants to manage its finances more effectively and more efficiently. The City of Grants maintains the following categories of fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

The governmental funds for the City of Grants include the general fund, special revenue funds, capital projects funds, and debt service funds. The governmental funds reporting focuses predominantly on the sources, uses, and balances of current financial resources that have been established by an approved appropriated budget. The governmental funds provide a detailed short-term view of the City's general government operations and the basic services it provides. The financial information contained in the governmental funds is useful in helping determine whether or not there are sufficient financial assets to provide funding for the City's current programs.

Proprietary Funds

Proprietary funds are used to account for activities similar to those in the private sector and focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and Statement of Activities (revenues and expenses). In fact, the City's enterprise funds are the same as the business-type activities that are reported in the government-wide statements; however, they provide more detail in regards to cash flows for proprietary funds. The City's intent is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The City has the following enterprise funds: Utility Fund, Low Rent, Golf Course Operating Fund and Project home.

Fiduciary Funds

Fiduciary fund reporting focuses on assets and liabilities that are held in a trustee or agency capacity for other government agencies and therefore cannot be used to support the City's own programs. Fiduciary funds are not reflected in the government-wide financial statement for the reason that their resources are not available to the City. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the Financial Statements

The City's notes to the financial statements provide additional information that is necessary for a better understanding of all data that is illustrated in the government-wide and fund financial statements.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis

City of Grants
Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current assets and other assets	\$8,643,316	\$7,000,997	\$2,837,878	\$2,499,776	\$11,481,194	\$9,500,773
Capital	33,150,180	32,960,985	16,452,299	16,334,562	49,602,479	49,295,547
Total assets	\$41,793,496	\$39,961,982	\$19,290,177	\$18,834,338	\$61,083,673	\$58,796,320
Liabilities:						
Current and other liabilities	\$538,958	\$506,591	\$906,451	\$957,258	\$1,445,409	\$1,463,849
Long-term liabilities	1,495,436	1,690,367	3,944,714	4,492,123	5,440,150	6,812,490
Total liabilities	2,034,394	2,196,958	4,851,165	5,449,381	6,885,559	7,646,339
Net Assets:						
Invested in capital assets, net of related debt	31,782,662	31,434,486	12,051,909	11,429,381	43,834,571	42,863,867
Restricted net assets	1,982,724	1,590,755	1,913,621	1,460,755	3,896,345	3,051,510
Unrestricted net assets	5,993,716	4,739,783	473,482	494,821	6,467,198	5,234,604
Total net assets	39,759,102	37,765,024	14,439,012	13,384,957	54,198,114	51,149,981
Total liabilities and net assets	\$41,793,496	\$39,961,982	\$19,290,177	\$18,834,338	\$61,083,673	\$58,796,320

Capital assets (net of accumulated depreciation) make up 79% of the City's total assets from governmental activities. Investments in capital assets include: land, buildings, machinery and equipment, and infrastructure. The City of Grants utilizes these assets to provide services to its citizens; therefore, these assets are not available for future spending.

At the end of the current fiscal year, the City of Grants reported a positive balance in all three categories of net assets.

In evaluating the operating performances of an agency, the rate of return on assets is probably one of the most useful measures of the entity's profitability and efficiency. The return on assets ratio for the city is 5% for fiscal year ending June 30, 2008. This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have been decreased by 7% due to no issuances of any type of debt, therefore, principal payments have reduced the liability amount outstanding in fiscal year 2008 versus 2007. Total assets have increased in 2008 due to the following factors. Taxes increased in 2008 by \$190,680, Grants increased by \$323,402, and charges for services increased by \$209,997. Investment income also increased in fiscal year 2008 due to a larger principal investment. Administrative fees from the Utility Fund have increased due to scheduled rate increases implemented. These factors primarily affect the increase in current assets in 2008 compared to 2007.

Net assets for business-type activities have increased by \$1,054,055, an increase of 7%. The increase is due primarily to a five-year rate increase for water, wastewater and refuse implemented in fiscal year 2006-2007. Overall, liabilities were reduced due to annual reductions in long-term debt. No additional debt was incurred in fiscal year 2008.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Financial Analysis of the City's Major Funds

GENERAL FUND

The General Fund is the major operating fund for the City. The General Fund is the single largest fund pertaining to revenues and expenditures. Total revenues in fiscal year 2007 were \$7,235,573 and \$7,707,688 in 2008, an increase of \$472,115 (6.5%) for comparative years. The difference is due to across the board increases in most line items as follows:

	2008	2007
Taxes and State Shared Taxes	\$5,387,054	\$5,293,355
Intergovernmental Revenue	525,503	453,319
Fees, Service Charges, Rental Revenue	1,082,000	961,587
Investment income	187,207	137,017
Franchise fees	330,711	268,536
License and permits	77,330	23,014
Total	\$7,589,805	\$7,136,828

Difference: Increase from 2007 to 2008 \$452,977.

Expenditures in the General Fund for fiscal year 2007 were \$5,308,799 and \$5,714,739 for fiscal year 2008, an increase of \$405,940 (7%). The increase was due primarily to increases in expenses in 2008 in the Public Safety and Public Works of \$273,820. All categories of functional expenses increased although, some increased only slightly. The General Fund fund balance increased in 2008 in the amount of \$1,068,713 with revenues exceeding expenditures less transfers for an ending fund balance of \$5,225,087 as of June 30, 2008.

GENERAL GOVERNMENT IMPROVEMENTS FUND

The General Government Improvements Fund accounts for the City's capital outlay projects primarily funded from the state legislative appropriations, federal grants, and City monies. In the fiscal year 2006/2007 the City accounted for \$285,836 in federal grant revenues and \$993,398 in state grants for a total grant revenues of \$1,279,234. In fiscal year 2007/2008 the total grant revenues of \$1,713,162 consisted of federal grant revenues of \$406,078, state grant revenues of \$1,307,084, and private grant funding of \$68,002.

The revenues received by the City will fluctuate as a result of grant appropriations received from year to year. Fluctuations will also occur when monies are expended and received annually.

Expenditures in fiscal year 2006/2007 were \$797,351. The majority of the expenditures were incurred for the waste water treatment plant, arts building, animal shelter building, heavy equipment excavator, water line replacements and various other expenditures. Expenditures in fiscal year 2007/2008 were \$1,593,532 with an additional capital transfer out of \$687,192. The capital transfer was due to project Grants Funds expended and incurred in the General Government Improvements Fund for the benefit of other funds. Expenditures were incurred for the City's wastewater treatment plant, playground equipment, police vehicles, airport improvements, cemetery improvements, and various other small equipment purchases.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

UTILITY FUND

The Utility Fund is used to account for all water, sewer and refuse revenues and expenses. It is the major proprietary fund for the City. Total operating revenues for 2006/2007 fiscal year was \$4,686,790 and \$5,181,974 for 2007/2008; an increase of \$495,184 (10%). The increase is due to implementation of a utility rate increase as a result of a utility rate study that initially took place in January of 2007 and will continue each January until 2009. The increase in net income for 2008 versus 2007 of \$756,394 is due to a decrease in operating expenses as well as the revenue increase stated above. Operating expenses decreased in fiscal year 2007/2008 compared to 2006/2007 by \$56,663, which is 1%.

General Fund Budgetary Highlights

The City of Grants total actual expenditures for FISCAL YEAR 2007/2008 were 5% under the budgeted expenditure amounts for the year. Public safety is responsible for 34% and public works is responsible for another 34% of the General Fund expenditures.

The City's total gross receipts tax amount for FISCAL YEAR 2007/2008 increased by 2% over FISCAL YEAR 2006/2007. Overall gross receipts increases slowed down in relation to the overall economic slow down.

The City implemented a water and refuse rate increase in FISCAL YEAR 2006/2007. The approximate increase in 2007/2008 for water was 18% and the increase for refuse was 12%.

The variation between original and final budget amount pertains to an adjustment for property taxes. The original amount budgeted for taxes were \$2,785,512. The final amount was \$2,767,709 a difference of \$17,803 due to property tax adjustments. The final residential and nonresidential valuation numbers were lower than the original amounts; resulting in a decrease in revenue. Expenditures in culture and recreation were increased by \$39,150 due to the senior center's increase in activity.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

City of Grants
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$1,286,991	\$1,076,994	\$5,479,614	\$4,923,382	\$6,766,605	\$6,000,376
Operating grants and contributions	1,374,381	852,844	51,173	46,394	1,425,554	899,238
Capital grants and contributions	1,794,956	1,992,571	0	0	1,794,956	1,992,571
<u>General Revenue:</u>						
Taxes	6,233,305	6,042,625	0	0	6,233,305	6,042,625
Investment income	254,404	202,411	71,972	65,807	326,376	268,718
Miscellaneous	184,757	97,794	2,969	69,435	187,726	167,229
<i>Total revenue</i>	11,128,794	10,265,739	5,605,728	5,105,018	16,734,522	15,370,757
Expenses:						
General Government	1,615,853	1,817,137	0	0	1,615,853	1,817,137
Public Safety	2,398,220	2,243,548	0	0	2,398,220	2,243,548
Public Works	2,519,610	2,025,745	0	0	2,519,610	2,025,745
Health and Welfare	1,104,368	1,023,587	0	0	1,104,368	1,023,587
Culture and Recreation	808,228	734,167	0	0	808,228	734,167
Interest and fees on long-term debt	58,828	62,990	0	0	58,828	62,990
Water, sewer and refuse	0	0	4,404,974	4,469,748	4,404,974	4,469,748
Golf	0	0	636,693	600,961	636,693	600,961
Rental	0	0	139,615	136,413	139,615	136,413
<i>Total expenses</i>	8,505,107	7,907,174	5,181,282	5,207,122	13,686,389	13,114,296
Increase in net assets before transfers	2,623,687	2,358,565	424,446	(102,104)	3,048,133	2,256,461
Transfers	(629,609)	(443,509)	629,609	443,509	0	0
Change in Net Assets	1,994,078	1,915,056	1,054,055	341,405	3,048,133	2,256,461
Net Assets - July 1, 2007 and 2006 (as restated)	37,765,024	35,849,968	13,384,957	13,043,552	51,149,981	48,893,520
Net Assets - June 30	\$39,759,102	\$37,765,024	\$14,439,012	\$13,384,957	\$54,198,114	\$51,149,981

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government Activities

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2008.

Business-Type Activities

Business-type activities income before transfers increased the City's net assets by \$424,446. Increases in charges for services were responsible for this increase.

Financial Analysis of the City's Funds

As mentioned earlier, the City of Grants uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of current fiscal year, the City of Grants governmental funds reported combined ending balances of \$8,245,112, which is an increase from the prior year ending fund balances. The City's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. The business-type activities have demonstrated sufficient revenue and sufficient cash flow to guarantee that all expenditures, including long-term debt will be paid in a timely manner.

Capital Assets and Debt Administration

Capital Assets

The City of Grants net capital assets for its government type activities as of June 30, 2008 amounted to \$33,150,180. This investment in capital assets includes land improvements, building improvements, vehicles, machinery and equipment, and infrastructure. The most significant impact on capital assets during the year resulted from the following:

- Wastewater-Treatment Plant Improvements
- Heavy Equipment
- City of Grants Arts Building
- Construction of Animal Shelter Building

Long-term Debt

The City's total debt (excluding compensated absences and lease payable) as of June 30, 2008 is \$5,663,521, which decreased by \$602,667, which represents payments of outstanding debt. The majority of this amount is due to the outstanding loan amount of \$3,671,003 that was from the New Mexico Environmental Department, for construction and acquisition of equipment for a wastewater treatment plant facility previously constructed in 1992.

More detailed information regarding these activities and funds is included in Note 5.

The City of Grants issued no new long-term debt during the current fiscal year. The City has no general obligation bonds outstanding at June 30, 2008.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Economic Factors

The City of Grants base gross receipts taxes which is the City's largest resource increased by 4.8% from fiscal year 2004/2005 to fiscal year 2005/2006, 10.9% from fiscal year 2005/2006 to fiscal year 2006/2007, 2% from fiscal year 2006/2007 to fiscal year 2007/2008. The prior growth trend has slowed significantly. The current year shows a continued slow down in relation to the overall economy.

The City has completed a utility rate structure study done by an engineering firm in order to enable the City to solidify their utility fund. The City implemented the rate increases in the Utility Fund in March 2007. The City makes every effort possible to ensure that the resources available are maximized to provide services to the public.

City of Grants
Outstanding Bonds and Liabilities to Financial Institutions

	Governmental Activities		Business-type Activities		Total Activities	
	2008	2007	2008	2007	2008	2007
Revenue Bonds	\$810,000	\$930,000	\$625,000	\$740,000	\$1,435,000	\$1,670,000
General Obligation Bonds	0	0	0	0	0	0
Notes Payable	557,518	596,499	3,671,003	3,999,689	4,228,521	4,596,188
Capital Leases	0	0	104,387	165,492	104,387	165,492
Total	\$1,367,518	\$1,526,499	\$4,400,390	\$4,905,181	\$5,767,908	\$6,431,680

Requests for Information

This financial report is designed to provide a general overview of the City of Grants' finances for those interested in the government finances. Questions concerning any of the information provided in the report or request for additional financial information should be addressed to the City of Grants, City Manager at 600 West Santa Fe Avenue, Grants, New Mexico 87020.

CITY OF GRANTS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$6,694,982	\$1,198,204	\$7,893,186
Cash held with trustee	475,346	0	475,346
Investments	0	200,000	200,000
Grant revenue receivable	447,605	0	447,605
Accounts receivable, net	147,716	528,460	676,176
Gross Receipts taxes receivable, net	476,373	0	476,373
Property taxes receivable, net	6,605	0	6,605
State shared taxes receivable, net	373,534	0	373,534
Interest receivable	0	4,887	4,887
Internal balances	(2,191)	2,191	0
Inventories	0	49,018	49,018
Other assets	23,346	0	23,346
Restricted Assets:			
Cash - loan reserve environmental division	0	660,424	660,424
Cash - customer deposits	0	194,694	194,694
Capital Assets:			
Capital assets not depreciated	4,617,960	4,725,043	9,343,003
Capital assets, depreciated	38,582,316	30,069,514	68,651,830
Accumulated depreciation	(10,050,096)	(18,342,258)	(28,392,354)
<i>Total capital assets</i>	<i>33,150,180</i>	<i>16,452,299</i>	<i>49,602,479</i>
<i>Total assets</i>	<i>41,793,496</i>	<i>19,290,177</i>	<i>61,083,673</i>
Liabilities			
Accounts payable	252,571	169,399	421,970
Accrued payroll	119,687	27,232	146,919
Customer deposits	0	197,939	197,939
Deferred grant revenue	2,600	0	2,600
Prepaid rents	0	274	274
Long-term liabilities:			
Due within one year	164,100	511,607	675,707
Due in more than one year	1,495,436	3,944,714	5,440,150
<i>Total liabilities</i>	<i>2,034,394</i>	<i>4,851,165</i>	<i>6,885,559</i>
Net Assets			
Invested in capital assets, net of related debt	31,782,662	12,051,909	43,834,571
Restricted for			
Debt service	955,629	1,913,359	2,868,988
Capital projects	1,027,095	0	1,027,095
Customer deposits	0	262	262
Unrestricted (deficit)	5,993,716	473,482	6,467,198
<i>Total net assets</i>	<i>\$39,759,102</i>	<i>\$14,439,012</i>	<i>\$54,198,114</i>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$1,615,853	\$1,200,950	\$129,277	\$0	(\$285,626)	\$0	(\$285,626)
Public safety	2,398,220	4,147	233,614	0	(2,160,459)	0	(2,160,459)
Public works	2,519,610	0	0	1,713,162	(806,448)	0	(806,448)
Health and welfare	1,104,368	45,719	993,474	81,794	16,619	0	16,619
Cultural and recreational	808,228	36,175	18,016	0	(754,037)	0	(754,037)
Interest and fees on long-term debt	58,828	0	0	0	(58,828)	0	(58,828)
Total governmental activities	8,505,107	1,286,991	1,374,381	1,794,956	(4,048,779)	0	(4,048,779)
Business-Type Activities:							
Water, sewer and refuse	4,404,974	5,181,974	0	0	0	777,000	777,000
Golf	636,693	268,414	0	0	0	(368,279)	(368,279)
Rental	139,615	29,226	51,173	0	0	(59,216)	(59,216)
Total business-type activities	5,181,282	5,479,614	51,173	0	0	349,505	349,505
Total primary government	\$13,686,389	\$6,766,605	\$1,425,554	\$1,794,956	(\$4,048,779)	\$349,505	(\$3,699,274)

General Revenues

Taxes:			
Gross receipts/state shared	\$5,086,208	\$0	\$5,086,208
Property	427,318	0	427,318
Lodgers' tax	389,068	0	389,068
Franchise tax	330,711	0	330,711
Investment income	254,404	71,972	326,376
Other	184,757	2,969	187,726
Operating transfers, net	60,110	(60,110)	0
Capital transfers, net	(689,719)	689,719	0
Total general revenues and transfers	6,042,857	704,550	6,747,407
Change in net assets	1,994,078	1,054,055	3,048,133
Net assets (deficit), beginning of year,	37,765,024	13,384,957	51,149,981
Net assets (deficit), end of year	\$39,759,102	\$14,439,012	\$54,198,114

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
ASSETS				
Pooled cash and investments	\$4,504,549	\$734,192	\$1,456,241	\$6,694,982
Cash held with trustee	0	0	475,346	475,346
Investments	0	0	0	0
Accounts receivable, net allowance	938,394	0	65,834	1,004,228
Grant revenue receivable	8,670	407,094	31,841	447,605
Due from other funds	18,500	0	3,755	22,255
Other assets	0	0	0	0
Total assets	\$5,470,113	\$1,141,286	\$2,033,017	\$8,644,416
LIABILITIES				
Liabilities:				
Accounts payable	\$126,766	\$114,191	\$11,614	\$252,571
Accrued payroll	118,260	0	1,427	119,687
Deferred revenue	0	0	2,600	2,600
Due to other funds	0	0	24,446	24,446
Total liabilities	245,026	114,191	40,087	399,304
FUND BALANCE				
Reserved for:				
Capital projects	0	1,027,095	0	1,027,095
Debt service - principal and interest	0	0	955,629	955,629
Unreserved reported in:				
General fund	5,225,087	0	0	5,225,087
Special revenue funds	0	0	1,037,301	1,037,301
Total fund balance	5,225,087	1,027,095	1,992,930	8,245,112
Total liabilities and fund balance	\$5,470,113	\$1,141,286	\$2,033,017	\$8,644,416

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
RECONCILIATION OF THE FUND BALANCE GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET ASSETS
JUNE 30, 2008

FUND BALANCE of Governmental Funds	\$8,245,112
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,150,180
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(1,659,536)
Bond issuance costs are capitalized and amortized and therefore, are not expensed (\$46,696 capitalized and \$23,350 amortized).	23,346
<hr/>	
<i>Net assets of governmental activities</i>	\$39,759,102

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
REVENUES				
Taxes	\$3,218,732	\$0	\$126,472	\$3,345,204
State shared taxes	2,168,322	0	0	2,168,322
Lodgers' tax	16,750	0	372,318	389,068
Licenses and permits	77,330	0	0	77,330
Franchise tax	330,711	0	0	330,711
Intergovernmental revenue	525,503	1,713,162	897,378	3,136,043
Other subsidies	32,400	0	0	32,400
Fees, service charges, and rental revenue	1,082,000	49,292	79,263	1,210,555
Investment income	187,207	0	67,197	254,404
Miscellaneous	46,833	100,899	1,025	148,757
Sale of property	21,900	0	14,100	36,000
<i>Total revenues</i>	<u>7,707,688</u>	<u>1,863,353</u>	<u>1,557,753</u>	<u>11,128,794</u>
EXPENDITURES				
Current:				
General government	781,464	0	58,378	839,842
Public safety	1,985,179	0	267,829	2,253,008
Public works	1,978,400	404,047	145,064	2,527,511
Health and welfare	383,248	0	611,490	994,738
Cultural and recreational	586,448	0	216,561	803,009
Capital outlay	0	1,189,485	61,245	1,250,730
Debt Service:				
Principal	0	0	158,981	158,981
Interest and other charges	0	0	50,492	50,492
Fees	0	0	3,666	3,666
<i>Total expenditures</i>	<u>5,714,739</u>	<u>1,593,532</u>	<u>1,573,706</u>	<u>8,881,977</u>
<i>Revenues over (under) expenditures</i>	1,992,949	269,821	(15,953)	2,246,817
Other Financing Sources (Uses):				
Transfers in	50,000	775,000	534,331	1,359,331
Transfers out	(974,236)	0	(324,985)	(1,299,221)
Capital transfer out	0	(687,192)	0	(687,192)
<i>Total other financing sources (uses)</i>	<u>(924,236)</u>	<u>87,808</u>	<u>209,346</u>	<u>(627,082)</u>
<i>Net changes in fund balances</i>	1,068,713	357,629	193,393	1,619,735
FUND BALANCE				
Fund balance, July 1	4,156,374	669,466	1,799,537	6,625,377
<i>Fund balance, June 30</i>	<u>\$5,225,087</u>	<u>\$1,027,095</u>	<u>\$1,992,930</u>	<u>\$8,245,112</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - Governmental Funds	\$1,619,735
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,250,730) exceeded depreciation (\$1,059,008) and certain assets (net book value of \$2,527) were transferred to business activities.	189,195
Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	158,981
Some expenses (or reduction thereof) reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - accrued compensated absences.	30,837
Bond issuance costs are amortized.	(4,670)
<i>Change in net assets of governmental activities</i>	\$1,994,078

CITY OF GRANTS
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$2,785,512	\$2,767,709	\$3,237,280	\$469,571
State shared taxes	1,830,928	1,830,928	2,140,243	309,315
Franchise fees	247,000	247,000	323,240	76,240
Fine and forfeits	95,000	95,000	36,162	(58,838)
Licenses and permits	19,500	19,500	20,370	870
Intergovernmental revenue	558,294	558,294	521,183	(37,111)
Fees and service charges	832,850	832,850	1,011,836	178,986
Donations	500	500	0	(500)
Investment income	15,000	15,000	187,207	172,207
Sale of property	2,000	2,000	0	(2,000)
Other revenue	18,000	18,000	142,458	124,458
<i>Total revenues</i>	6,404,584	6,386,781	7,619,979	1,233,198
EXPENDITURES				
Current:				
General government	995,250	995,250	775,861	219,389
Public safety	2,562,991	2,562,991	1,994,564	568,427
Public works	1,492,814	1,492,814	2,006,063	(513,249)
Cultural and recreational	353,755	392,905	384,620	8,285
Health and welfare	561,986	561,986	584,033	(22,047)
Capital outlay	60,500	60,500	0	60,500
<i>Total expenditures</i>	6,027,296	6,066,446	5,745,141	321,305
<i>Excess (deficiency) of revenues over expenditures</i>	377,288	320,335	1,874,838	1,554,503
Other Financing Sources (Uses):				
Operating transfers in	119,500	140,000	50,000	(90,000)
Operating transfers (out)	(1,008,605)	(1,048,605)	(974,236)	74,369
<i>Total other financing sources (uses)</i>	(889,105)	(908,605)	(924,236)	(15,631)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(511,817)	(588,270)	950,602	1,538,872
Budgeted cash carryover	511,817	588,270	549,220	0
	\$0	\$0	\$1,499,822	\$1,538,872

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS
JUNE 30, 2008

	Utilities	Nonmajor Proprietary Funds	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$1,122,880	\$75,324	\$1,198,204
Investments	0	200,000	\$200,000
Accounts receivable - other	6,996	2,375	\$9,371
Accounts receivable - tenants	0	2,776	\$2,776
Accounts receivable, water and sewer (net of allowance)	516,313	0	\$516,313
Interest receivable	0	4,887	\$4,887
Inventory	49,018	0	\$49,018
Due from other funds	0	22,412	\$22,412
<i>Total current assets</i>	1,695,207	307,774	2,002,981
Non-Current Assets			
Restricted Assets:			
Cash - debt reserves	660,424	0	660,424
Cash - customer deposits	194,694	0	194,694
<i>Total restricted assets</i>	855,118	0	855,118
Capital Assets:			
Capital assets - not depreciated	4,677,517	47,526	4,725,043
Capital assets - depreciated	27,206,030	2,863,484	30,069,514
Less accumulated depreciation	(17,124,143)	(1,218,115)	(18,342,258)
<i>Net capital assets</i>	14,759,404	1,692,895	16,452,299
<i>Total assets</i>	17,309,729	2,000,669	19,310,398
LIABILITIES			
Current Liabilities:			
Accounts payable	164,217	5,182	169,399
Accrued payroll	12,270	14,962	27,232
Tenant security deposits/utility deposits	194,432	3,507	197,939
Deferred revenue	0	0	0
Prepaid rents	0	274	274
Due to other funds	0	20,221	20,221
Current portion of long-term debt	450,260	61,347	511,607
<i>Total current liabilities</i>	821,179	105,493	926,672
Non-Current Liabilities:			
Long-term debt	3,845,743	0	3,845,743
Compensated absences	23,132	32,799	55,931
Leases payable	0	43,040	43,040
<i>Total noncurrent liabilities</i>	3,868,875	75,839	3,944,714
<i>Total liabilities</i>	4,690,054	181,332	4,871,386
Net Assets:			
Invested in capital assets, net of related debt	10,463,401	1,588,508	12,051,909
Restricted for debt service	1,913,359	0	1,913,359
Restricted for customer deposits	262	0	262
Unrestricted	242,653	230,829	473,482
<i>Total net assets</i>	\$12,619,675	\$1,819,337	\$14,439,012

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Utilities	Nonmajor Proprietary Funds	Total
OPERATING REVENUES			
Water, sewer and refuse sales	\$5,181,974	\$0	\$5,181,974
Golf fees	0	268,414	268,414
Rental income	0	29,226	29,226
<i>Total operating revenues</i>	5,181,974	297,640	5,479,614
OPERATING EXPENSES			
Operating expenses	3,730,414	674,205	4,404,619
Depreciation	572,940	102,103	675,043
<i>Total operating expenses</i>	4,303,354	776,308	5,079,662
<i>Net income (loss) from operations</i>	878,620	(478,668)	399,952
NON-OPERATING REVENUES (EXPENSES)			
Federal grants and subsidies	0	51,173	51,173
Interest earnings	62,499	9,473	71,972
Interest expense	(99,770)	0	(99,770)
Other gain (loss)	0	2,969	2,969
Other debt expense	(1,850)	0	(1,850)
<i>Total non-operating revenues (expenses)</i>	(39,121)	63,615	24,494
<i>Net income (loss) before contributions and transfers</i>	839,499	(415,053)	424,446
Operating transfers in	940,480	330,808	1,271,288
Operating transfers (out)	(1,331,398)	0	(1,331,398)
Capital transfers in	697,549	15,718	713,267
Capital transfers (out)	(23,548)	0	(23,548)
<i>Change in net assets</i>	1,122,582	(68,527)	1,054,055
Total fund net assets, at beginning of year	11,497,093	1,887,864	13,384,957
<i>Total fund net assets, at end of year</i>	\$12,619,675	\$1,819,337	\$14,439,012

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Utilities	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers (including other funds)	\$5,142,308	\$288,625	\$5,430,933
Cash paid to suppliers	(3,476,590)	(344,223)	(3,820,813)
Cash paid to employees	(345,015)	(352,010)	(697,025)
<i>Net cash provided (used) by operating activities</i>	1,320,703	(407,608)	913,095
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Customer deposits	12,680	0	12,680
Transfers in (out)	(390,918)	330,808	(60,110)
<i>Net cash provided (used) by noncapital financing activities</i>	(378,238)	330,808	(47,430)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property and equipment	(766,269)	(23,984)	(790,253)
Disposition of assets	0	0	0
Capital transfers in	697,549	23,113	720,662
Principal paid: revenue bonds/lease purchase/advances	(443,686)	(61,105)	(504,791)
Purchase of Investments	0	(147,636)	(147,636)
Grants and subsidies	0	51,173	51,173
Interest paid: revenue bonds/lease purchase/advances	(99,770)	0	(99,770)
Other gain (loss)	0	2,969	2,969
Other debt expense	(1,850)	0	(1,850)
Capital transfers (out)	(23,548)	0	(23,548)
Due from other funds	0	0	0
<i>Net cash provided (used) by capital and related financing activities</i>	(637,574)	(155,470)	(793,044)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	62,499	5,025	67,524
<i>Net increase (decrease) in pooled cash</i>	367,390	(227,245)	140,145
Pooled cash and investments, beginning of year	1,610,608	302,569	1,913,177
<i>Pooled cash and investments, end of year</i>	\$1,977,998	\$75,324	\$2,053,322
Cash and cash equivalents	\$1,122,880	\$75,324	\$1,198,204
Restricted cash	855,118	0	855,118
	\$1,977,998	\$75,324	\$2,053,322

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
PROPRIETARY FUND TYPES
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Utilities	Nonmajor Proprietary Funds	Total
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$878,620	(\$478,668)	\$399,952
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	572,940	102,103	675,043
Provision for uncollectible accounts	0	0	0
Book value of assets transferred	(2,527)	0	(2,527)
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Accounts receivable	(39,666)	(1,573)	(41,239)
Due from/(to) other funds	600	3,816	4,416
Inventories	(9,050)	0	(9,050)
Prepays	0	1,177	1,177
Increase (Decrease) in liabilities:			0
Accounts and contracts payable	(65,860)	(24,263)	(90,123)
Wages payable and accrued liabilities	(14,354)	(1,581)	(15,935)
Other deferred charges	0	(8,776)	(8,776)
Tenants prepaid rent	0	157	157
<i>Total adjustments</i>	442,083	71,060	513,143
<i>Net cash provided (used) by operating activities</i>	\$1,320,703	(\$407,608)	\$913,095

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash, certificates of deposits and investments	\$23,772
<i>Total assets</i>	<i>\$23,772</i>
LIABILITIES	
LIABILITIES	
Due to others	\$23,772
<i>Total liabilities</i>	<i>\$23,772</i>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description and Reporting Entity

The municipality was originally incorporated in the year 1941 as the Town of Grants. On October 20, 1966, an ordinance was adopted pursuant to Section 14-1-3, New Mexico Statutes, 1952 Annotated, as amended proclaiming the Town as City of Grants (the "City") effective December 1, 1966. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public Safety - (Police, Fire, and Emergency Ambulance), Highways and Streets, Sanitation, Health and Social Services, Culture-Recreation, Water and Sewer Facilities, Housing Public Improvements, Planning and Zoning, and General Administrative Services. The City operates the following enterprises: water, sewer, public housing, and a golf course.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America 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 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The more significant of the City's accounting policies are described below.

Reporting Entity

In evaluating how to define the City, 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 GASB 14. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City 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 City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City of Grants Housing Authority is the only component unit, which has been blended with the other funds of the City in the special revenue funds (Housing Capital Funds Program and Housing Authority Vouchers) and enterprise funds (Low Rent and Home Program). The Housing Authority Board is appointed by the City Council.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

Government-Wide Statements - The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary fund activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the general fund as a major governmental fund:

Primary Operating Fund - It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major funds:

General Government Improvements Fund - Accounts for construction and improvements funds received from various sources for the improvement of City properties.

Enterprise - Utilities fund accounts for the provision of water, sewer, and refuse services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operation, maintenance, financing and related debt service, and billing and collection.

Agency Funds - are used to account for monies held by the City in a custodial capacity. They do not report operations or have a measurement focus.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements - the government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes and franchise taxes are recognized if they are collected within sixty days after year-end. These derived tax revenues are recognized when the underlying transaction takes place (when the retail sale is generated). Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

Budgets and Budgetary Accounting

The City Council adopts an annual budget for the General, Special Revenue, Capital Projects, Enterprise, and Debt Service Funds, which are prepared by management and approved by the City Council and by the Local Government Division of the Department of Finance and Administration.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balances be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore used in the calculation to determine the balance.

Actual expenditures may not exceed the budget on a fund basis, i.e. budgeted expenditures must be within budgeted amounts. Budgets may be amended in two ways. All budget transfers that will exceed a cumulative of five percent of a department's total budget require approval from the Local Governmental Division of the Department of Finance and Administration. Transfers, which do not exceed the five percent limit, require approval by the City Council. Resolutions for budget increases will only be approved in the event of an emergency.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

The budgets for the Housing Authority follow HUD requirements in that certain programs are not budgeted (HOME program) and other program budgets are guidelines only and therefore, budgets are not amended.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

Prior to June 1, the City submits a proposed budget to the Local Government Division of the Department of Finance and Administration. The budget submitted has been approved by the City Council after presentation by the City Manager. The operating budget includes proposed expenditures and the means of financing them.

The Local Government Division, in relation to the City, shall:

- a. Examine each proposed budget, and on or before July 1 of each year, approve and certify to the City an operating budget for use pending approval of final budget.
- b. Hold public hearings on proposed budgets.
- c. Make such corrections; revisions, and amendments to proposed budgets as may be necessary to meet the requirements of law.
- d. Certify a final budget for the City prior to the first Monday in September of each year. Such budgets, when approved, shall be binding upon all tax officials of the State.
- e. Upon the approval of the Secretary of Finance and Administration, authorize the transfer of funds from one budget item to another budget item when such transfer is required or an emergency condition exists meriting such transfer and such transfer is not prohibited by law. In case of emergency necessitating the expenditures for item or items not provided for in the budget, upon approval of the Secretary of Finance and Administration, the budget may be revised to authorize such expenditures.
- f. With written approval of the Secretary of Finance and Administration and the Attorney General, increase the total budget of the City in the event the City undertakes an activity, service, project, or construction program which was not contemplated at the time the final budget was adopted and approved and which activity, service, project, or construction program will produce sufficient revenue to cover such increase in the budget or the City has surplus funds on hand not necessary to meet the expenditures provided for in the budget with which to cover such increase in the budget.
- g. Supervise the disbursement of funds to the end that expenditures will not be made in excess of budgeted items or for items not budgeted, and that there will not be illegal expenditures.
- h. Prescribe the form for all budgets, books, records, and accounts for the City.
- i. With the approval of the Secretary of Finance and Administration, make rules and regulations relating to budgets, records, reports, handling and disbursement of public funds, or in any manner relating to the financial affairs of the City.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council and the Local Government Division of the Department of Finance and Administration (DFA). Unexpended budget appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Fund.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Liabilities and Equity

Cash Equivalents

The City pools idle cash from all funds for the purpose of increasing income through investment activities. A “Pooled Cash” concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount.

Investments

The City’s investments are regulated by state law, as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Additional cash, investment information, and fair values are presented in Note 2.

The City participates in the State Treasurer Local Government Investment Pool. This pool is regulated by state law and regulations. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

Restricted Cash and Investments

The amount of cash held representing utility deposits and rental are deposits classified as restricted on the Statement of Net Assets - Proprietary Funds.

Receivables and Payables

Under generally accepted accounting principles the City would normally include property taxes receivable subsequent to sixty days after year-end as revenue and accounts receivable. Cibola County has been unable to determine this amount as of June 30, 2008 and therefore, this amount has not been recorded on the records of the City. The unrecorded revenue is not material to the financial statements as of June 30, 2008.

Accrued expenses are accrued payroll and payroll related liabilities (withheld taxes and deductions).

Proprietary Fund Types

Accounts receivable consists of charges to users for utility services provided, and for unpaid charges from customers of the golf course, and for rental assistance provided to citizens.

Management has determined that accounts receivable are fully collectible at June 30, 2008 with the exception of certain receivables from utility services provided to customers. Accordingly, a \$74,267 allowance for doubtful accounts has been recorded in the Joint Utility Enterprise Fund.

Inventories

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

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. The City defines capital assets as assets with lives greater than one-year and a cost or donated value of \$5,000 or greater in accordance with New Mexico State Statutes.

Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets have been recorded (predominantly roads and utilities). 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	10 - 50
Infrastructure	25 - 50
Buildings and improvements	30 - 50
Machinery and Equipment	3 - 15

The City has not capitalized library books as their net book value has been determined to be immaterial.

It is the policy of the City to capitalize interest for construction projects incurred through the proprietary funds.

Property Taxes

The City of Grants receives property taxes from the Cibola County Treasurer for operational purposes. Property taxes are assessed on January 1 of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year, with the levies becoming delinquent 30 days thereafter. The authorized municipal tax rate for general operating purposes is .004555 per \$1,000 of net taxable value of both residential and nonresidential property allocated to the municipality. In addition, tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law. Currently, the City has no outstanding general obligation bonds.

The Mill Levy tax rates for the City of Grants for 2008 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
General Operating	.004555	.004555

These are the tax rates applied to each \$1,000 of property value taxable by the City.

Deferred Revenue

Deferred revenues relate to grant funds received prior to expenditures. The funds are considered unearned and therefore have been reported as deferred revenues.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As a local government entity, the City is not subject to federal or state income taxes.

Compensated Absences

The City allows employees to accrue annual leave based on years of service. Upon termination, accrued annual leave is paid in full. Employees are eligible to be paid half of their accrued sick leave up to 240 hours upon termination.

As of June 30, 2008, the liability for accrued compensated absences is \$347,949. The amount applicable to the Enterprise Funds Utility is \$23,132 and non-major proprietary funds of \$32,799. The amount applicable to Government Activities is \$292,018. These liabilities will be liquidated as leave time is utilized from the various funding sources from which each employee is paid.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption.

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

Interfund Transfers In (Out)

	Transfers out				
	General General Fund	General Government Improvements	Nonmajor Governmental Funds	Utilities	Totals
Transfers In:					
General fund	\$50,000	\$0	\$0	\$0	\$50,000
General governmental improvements	600,000	0	0	175,000	775,000
Non-major governmental funds	119,806	0	319,177	95,348	534,331
Utilities	204,430	0	0	736,050	940,480
Non-major proprietary funds	0	0	5,808	325,000	330,808
Totals	\$974,236	\$0	\$324,985	\$1,331,398	\$2,630,619

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Capital Transfers In (Out)</u>	<u>Transfers out</u>			Totals
	Governmental Activities	General Government Improvements	Utilities	
Transfers In:				
Utilities	\$2,527	\$687,192	\$7,830	\$697,549
Non-major proprietary funds	0	0	15,718	15,718
Totals	\$2,527	\$687,192	\$23,548	\$713,267

<u>Inter-fund Due From/To</u>	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Totals
	Due from:		
General fund	\$18,500	\$0	\$18,500
Non-major governmental funds	0	3,755	3,755
Utilities	0	0	0
Non-major proprietary funds	5,946	16,466	22,412
Totals	\$24,446	\$20,221	\$44,667

Net Assets

Net assets are displayed in three components:

Invested in Capital Assets, net of related debt – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Net assets that do not meet the definition of “restricted” and “Invested in capital assets, net of related debt.”

Fund Balance

Reserved – The portion of fund balance that is not appropriable for expenditure or is legally segregated for specific future use.

Unreserved – The portion of fund balance that is not reserved but may be designated as noted below.

Designated – The position of fund balance established to indicate tentative plans for financial resources utilization in a future period.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. CASH AND INVESTMENTS

The City's cash balances are reserved from subsequent years and consist of demand deposits, interest bearing savings accounts, certificates of deposit and short-term investment funds. The certificates of deposit have varying interest rates and maturity dates. The majority of City cash and investments are co-mingled. All interest income is accounted for in the related funds.

The City's investments are governed by state law. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

Cash and certificates of deposit at June 30, 2008 consisted of the following:

	CASH		Account Type
	Reconciled Balance	On Deposit June 30, 2008	
Petty Cash – Cibola Senior Center	\$66		
Petty Cash – General Operating	1,340		
Petty Cash – Utilities Operating	500		
Petty Cash – Water Meter Deposits	200		
Petty Cash – Golf Course Operating	300		
Petty Cash – Appearance Bonds	1,000		
Grants State Bank	389,507	\$649,039	Checking
Wells Fargo Bank Government Imp.	734,193	928,835	Checking
Wells Fargo Bank Payroll	0	2,096	Checking
First Community Bank Housing Authority – Vouchers	128,479	129,634	Checking
First Community Bank Housing Authority – Low Rent	24,701	25,671	Checking
First Community Bank Housing Home Program	4,929	4,929	Checking
Total cash	\$1,285,215	\$1,740,204	

Held and Directed by Trustee

The City has investments that are directed by the New Mexico Mortgage Finance Authority for debt service as follows:

	Cost	Market	Risk Rating	Percent of Investment Portfolio
Bank of Albuquerque:				
U.S. Treasury Fd #0052	\$66,165	\$66,165	Aaa	
U.S. Treasury Fd #0052	98,391	98,391	Aaa	
U.S. Treasury Fd #0052	160,883	160,883	Aaa	
U.S. Treasury Fd #0052	149,909	149,909	Aaa	
U.S. Treasury Fd #0052	80,569	80,569	Aaa	
U.S. Treasury Fd #0052	106,290	106,290	Aaa	
	\$662,207	\$662,207		8.10%

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investment

Wells Fargo Bank:			
Certificate of Deposit	\$350,000	\$350,000	
Grants State Bank			
Certificate of Deposit	1,000,000	1,000,000	
First Community Bank			
Certificate of Deposit	1,100,000	1,100,000	
<i>Total Certificates of Deposit</i>	<u>2,450,000</u>	<u>2,450,000</u>	30.06%
State Treasurer:			
Pool	5,050,000	5,050,000	61.84%
<i>Total Investments</i>	<u>8,162,207</u>	<u>8,162,207</u>	100.00%
<i>Total Cash and Investments</i>	<u>\$9,447,422</u>		

Governmental Activities	\$7,170,328
Business Type Activities	1,198,204
Business Type Activities Restricted	855,118
Fiduciary Funds	23,772
	<u>9,247,422</u>
Governmental Activities – Investments	0
Business Type Activities - Investments	200,000
	<u>\$9,447,422</u>

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investment Type	Cost Basis	Market Value	Credit Risk- Rating	Weighted Average Maturity Days
U.S. Treasury Funds	\$662,207	\$662,207	Aaa	-
State Investment Pool**	5,050,000	5,050,000	AAAm	18
CD's	2,450,000	2,450,000	NR	170
	8,162,207	8,162,207		
Less investments reported as cash equivalents	7,962,207	7,962,207		
	\$200,000	\$200,000		

** The City's investment in the State Investment Pool was not rated, although the securities within the pool are rated.

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 1A and E, NMSA 1978.
- c. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested; and
- d. Participation in the local government investment pool is voluntary.
- e. Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policies place no limit on the amount the City may invest in any one issuer.

Credit Risk – The City's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10FNMSA 1978, 6-10-10NMSA 1978.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City investments. The City's investment policy follows New Mexico State Statute Section 6-1 0-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rate fixed by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Foreign Currency Risk – Deposits and Investments - The City is not exposed to the risk that changes in exchange rates will adversely affect the fair value of an investment as none of the investments pools nor certificates of deposit are dominated in a foreign currency.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. PLEDGED COLLATERAL

	First Community Bank	Grants State Bank	Wells Fargo
Cash in bank, per June 30, 2008 (Note 2)	\$160,234	649,039	\$930,931
Certificate of deposit (Note 2)	1,100,000	1,000,000	350,000
Less: FDIC coverage	200,000	200,000	200,000
Uninsured public funds	1,060,234	1,449,039	1,080,931
50% collateral requirements	530,117	724,520	540,466
Pledged securities	1,633,857	1,710,000	814,201
Over (under) Collateralized	\$1,103,740	\$985,480	\$273,735

	Cusip Number	Maturity Date	Amount Pledged FMV/Par
<u>First Community Bank</u>			
Portales, NM Muni SD #1 Bond	736151CV1	11/15/15	\$200,000
FHLB, note – 1 time call	31339YVV1	07/21/08	550,248
FHLB Agency note	3133X8C59	08/14/09	217,144
FHR 2695 DG, Note	31394L7G1	10/15/18	577,305
MBS FHLMC Gold 15 Year	312964EH8	01/02/19	89,160
Total Pledged			\$1,633,857

Securities are held at Federal Home Loan Bank Dallas (Dallas, Texas).

			Par Value
<u>Grants State Bank</u>			
Dulce ISD Non-Call Fr, Bond	264430FH7	07/11/11	\$100,000
Dulce ISD Non-Call Fr, Bond	264430GF0	05/01/12	200,000
Dulce ISD Non-Call Fr, Bond	264430GJ2	05/01/15	300,000
Grants & Cibola County's NM Sch Dist., Bond	388240CG6	10/01/10	125,000
Catron & Cibola County's Non-Callable, Bond	149321BN0	07/15/12	110,000
Clovis Community College Call, Bond	18934NAM4	06/01/13	110,000
Aztec NM Mun Non-call Fr, Bond	054879FQ9	10/01/08	100,000
Chama SD Non-Call, Bond	157670CR9	08/01/16	265,000
Bernalillo Muni SD Non-Call Fr, Bond	085279LR6	08/01/11	100,000
Eastern NM Univ. Non-Call, Bond	27678NAH6	08/15/07	300,000
Total Pledged			\$1,710,000

Securities are held at The Independent Bankers Bank (Dallas, Texas).

			FMV
<u>Wells Fargo</u>			
FNLC, note	31407HJ80	11/01/35	\$814,201
Total Pledged			\$814,201

Securities are held at Wells Fargo Bank California (San Francisco, California).

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. PLEDGED COLLATERAL (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008 \$2,776,003 of the government's bank balances of \$4,190,204 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized held by a member bank other than the depositing bank.	\$266,730
Uninsured and collateralized held by a member bank other than the depositing bank.	\$2,509,273

NOTE 4. CAPITAL ASSETS

Capital asset activity for the City's primary government for the year ended June 30, 2008 was as follows:

	Balance 06/30/2007	Additions	Transfers	Balance 06/30/2008
Governmental Activities:				
Capital Assets:				
Non Depreciable:				
Art	\$122,897	\$0	\$0	\$122,897
Land	3,341,850	16,374	0	3,358,224
Construction in process	539,238	597,601	0	1,136,839
Depreciable:				
Buildings	8,002,692	140,668	0	8,143,360
Land improvements	5,168,159	18,571	0	5,186,730
Machinery and equipment	4,771,736	477,516	(30,636)	5,218,616
Infrastructure	20,033,610	0	0	20,033,610
<i>Total</i>	<u>41,980,182</u>	<u>1,250,730</u>	<u>(30,636)</u>	<u>43,200,276</u>
Less Accumulated Depreciation:				
Buildings	(2,529,803)	(178,083)	0	(2,707,886)
Land improvements	(752,144)	(122,036)	28,109	(874,180)
Machinery and equipment	(3,298,128)	(358,450)	0	(3,628,469)
Infrastructure	(2,439,122)	(400,439)	0	(2,839,561)
<i>Total accumulated depreciation</i>	<u>(9,019,197)</u>	<u>(1,059,008)</u>	<u>28,109</u>	<u>(10,050,096)</u>
<i>Net capital assets</i>	<u>\$32,960,985</u>	<u>\$191,722</u>	<u>(\$2,527)</u>	<u>\$33,150,180</u>

Depreciation expense for governmental activities is \$1,059,008 for the year.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Balance 06/30/2007	Additions	Transfers	Balance 06/30/2008
Business-Type Activities:				
Capital Assets:				
Non Depreciable:				
Land	\$2,279,374	\$0	\$0	\$2,279,374
Construction in process	1,661,893	658,164	0	2,320,057
Water rights	125,612	0	0	125,612
Depreciable:				
Buildings	1,960,144	0	0	1,960,144
Land improvements	786,343	49,778	0	836,121
Machinery and equipment	2,297,261	58,763	30,636	2,386,660
Infrastructure	24,863,041	23,548	0	24,886,589
<i>Total</i>	<u>33,973,668</u>	<u>790,253</u>	<u>30,636</u>	<u>34,794,557</u>
Less Accumulated Depreciation:				
Buildings	(694,371)	(50,030)	0	(744,401)
Land improvements	(118,876)	(19,064)	0	(137,940)
Machinery and equipment	(1,140,120)	(197,403)	(28,109)	(1,365,632)
Infrastructure	(15,685,739)	(408,546)	0	(16,094,285)
<i>Total accumulated depreciation</i>	<u>(17,639,106)</u>	<u>(675,043)</u>	<u>(28,109)</u>	<u>(18,342,258)</u>
<i>Net capital assets</i>	<u>\$16,334,562</u>	<u>\$115,210</u>	<u>\$2,527</u>	<u>\$16,452,299</u>

Depreciation expense for business-type activities is \$675,043 for the year.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business-Type Activities
General Government	\$789,596	\$0
Public Safety	157,413	0
Health and Welfare	111,999	0
Recreation	0	0
Water	0	310,753
Sewer	0	262,187
Golf	0	66,351
Housing	0	35,752
<i>Total</i>	<u>\$1,059,008</u>	<u>\$675,043</u>

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CHANGES IN LONG-TERM DEBT

The following summarized the changes in the long-term debt for government activities during 2008:

	Balance 06/30/2007	Additions	Deletions/ Transfers	Balance 06/30/2008	Amount Due Within One Year
Bond payable	\$930,000	\$0	\$120,000	\$810,000	\$125,000
Notes payable	596,499	0	38,981	557,518	39,100
Accrued compensated absences	322,855	145,232	176,069	292,018	0
<i>Totals</i>	\$1,849,354	\$145,232	\$335,050	\$1,659,536	\$164,100

Bonds and notes payable have been and are liquidated by gross receipts tax revenues. Accrued compensated absences have been liquidated in the past by the fund to which the employees are assigned.

Series: New Mexico Finance Authority
 Purpose: 1993A and B Refunding
 Original Issue: \$1,495,000
 Principal: August 1
 Interest: February 1 and August 1
 Rates: .620% - 3.110%

Amortized as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$125,000	\$20,348	\$145,348
2010	130,000	17,578	147,578
2011	130,000	14,367	144,367
2012	140,000	10,670	150,670
2013	140,000	6,595	146,595
2014 – 2018	145,000	2,255	147,255
<i>Totals</i>	\$810,000	\$71,813	\$881,813

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

Purpose: Construction of Building to be leased for use as museum
 Date of Issue: December 1, 1998
 Original Issue: \$844,445
 Principal: May 1
 Interest: November 1 and May 1
 Rate: 3.150% - 5.150%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$39,100	\$26,217	\$65,317
2010	39,224	24,547	63,771
2011	44,350	22,838	67,188
2012	44,481	20,858	65,339
2013	49,615	18,835	68,450
2014 - 2018	275,237	57,860	333,097
2019 - 2023	65,511	3,242	68,753
<i>Totals</i>	\$557,518	\$174,397	\$731,915

The annual principal payment requirements for debt outstanding as of June 30, 2008, in governmental activities, are summarized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>
2009	\$164,100
2010	169,224
2011	174,350
2012	184,481
2013	189,615
2014 – 2018	712,255
2019 – 2023	65,511
	\$1,659,536

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

The following summarizes the changes in the Business-Type Activities Long-Term Debt during 2008:

	Balance 06/30/2007	Additions	Deletions/ Transfers	Balance 06/30/2008	Amount Due Within One Year
Bonds payable	\$740,000	\$0	\$115,000	\$625,000	\$115,000
Notes payable	3,999,689	0	328,686	3,671,003	335,260
Leases payable	165,492	0	61,105	104,387	61,347
Accrued compensated absences	62,055	34,227	40,351	55,931	0
<i>Totals</i>	\$4,967,236	\$34,227	\$545,142	\$4,456,321	\$511,607

Bonds outstanding reported in the Proprietary Fund at June 30, 2008, consist of the following issues.

Series: New Mexico Finance Authority
Purpose: Series 1993 Water and Sewer Refunding
Original Issue: \$1,060,000
Principal: February 1
Interest: February 1 and August 1
Rates: .62% - 3.110%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$115,000	\$17,442	\$132,442
2010	120,000	14,785	134,785
2011	125,000	11,629	136,629
2012	125,000	8,079	133,079
2013	140,000	4,354	144,354
<i>Totals</i>	\$625,000	\$56,289	\$681,289

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

Notes outstanding reported in the Proprietary Fund at June 30, 2008, consist of the following:

New Mexico Environmental Department Loan

Purpose: Construction and Acquisition of Equipment for Waste Water Treatment Plant
 Original Issue: \$6,600,000
 Principal: August 15
 Interest: August 15
 Rates 3.00%

Amortized as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$335,260	\$73,420	\$408,680
2010	341,965	66,715	408,680
2011	348,804	59,876	408,680
2012	355,781	52,899	408,680
2013	362,896	45,784	408,680
2017 – 2022	1,926,297	117,103	2,043,400
<i>Totals</i>	\$3,671,003	\$415,797	\$4,086,800

Amarillo National Bank - Lease

Purpose: Golf Carts for Golf Course
 Original Issue: \$196,061
 Principal: Monthly
 Interest: Monthly
 Rate: 3.81%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$33,245	\$2,319	\$35,564
2010	43,040	263	43,303
<i>Totals</i>	\$76,285	\$2,582	\$78,867

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

John Deere - Lease

Purpose: Golf Course Equipment
 Original Issue: \$138,915
 Principal: Monthly
 Interest: Monthly
 Rate: 4.950%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$28,102	\$699	\$28,801
<i>Totals</i>	\$28,102	\$699	\$28801

The following summarizes the combined aggregate maturities for long-term borrowing in the Proprietary Fund for the next five years following June 30, 2008:

<u>June 30,</u>	<u>Principal Payment</u>
2009	\$511,607
2010	505,005
2011	473,804
2012	480,781
2013	502,896
2014 – 2018	1,982,227
<i>Total</i>	\$4,456,320

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CHANGES IN LONG-TERM DEBT (CONTINUED)

Lease Purchase Contracts

At June 30, 2008 the City had machinery and equipment capitalized under purchase agreements, as follows:

Machinery and equipment	\$331,429
-------------------------	-----------

The remaining future minimum lease payments under capitalized leases with initial or remaining lease terms in excess of one year were, at June 30, 2008, as follows:

2009	\$61,347
2010	43,040
<i>Total</i>	\$104,387

Of the total interest cost incurred on long-term debt of \$157,611 none was capitalized at June 30, 2008.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6. PERA PENSION PLAN

Plan Description. Substantially all of the City of Grants' 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 Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary, police contribute 7.0% and fire employees contribute 8.0%. The City of Grants is required to contribute 18.5% of the gross salaries for police employees, 17.5% for fire employees, and 9.15% for other employees. The contribution requirements of plan members and the City of Grants are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Grants contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 respectively were \$297,199, \$304,155 and \$304,042, which equal the amount of the required contributions for each fiscal year.

NOTE 7. POST EMPLOYMENT BENEFITS

The City of Grants has chosen not to participate in Retiree Health Care or any other post employment benefit program.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Grant Audit

The City receives Federal and State Grants for specific purposes that are subject to review and audit by the funding agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City management, such disallowances, if any, will not be significant.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9. BUDGETARY - GAAP REPORTING RECONCILIATION

The accompanying combined statement of Revenues and Expenditures, Budget (Non-GAAP) and Actual (Cash Basis), all Governmental Fund Types, presents comparisons of the adopted Budget (more fully disclosed in Note 1) with actual data on a budgetary basis. Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2008, is presented below:

	Major Funds	
	General	Government Improvements
Excess (deficiency) of revenues and other financial sources over expenditures and other financial uses (budgetary basis)	\$950,602	\$102,264
Adjustments for revenue accruals, transfers, earnings on investments	87,709	364,544
Adjustments for expenditures for payables, inventory, other expenditure accruals	30,402	578,013
Capital transfers out	0	(687,192)
Excess (deficiency) of revenues and other financial sources over expenditures and other financial uses (GAAP basis)	\$1,068,713	\$357,629

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Accounting principles generally accepted in the United States of America require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

1. Net Working Capital:

Enterprise Fund:

Utility	\$874,028
Low Rent	\$44,095
Home Program	\$189,216
Golf Course	\$31,030

2. Excess of Expenditures Over Appropriations:

Housing Authority Capital Funds Program	\$75,986
Local Government Corrections	\$2,000

3. The following fund experienced a deficit fund balance:

Litter Control and Beautification	\$599
-----------------------------------	-------

Management intends to transfer sufficient funds from the general fund to cover any deficits.

NOTE 11. SURETY BOND

Surety bonds are in force per the following schedule:

<u>Insurance Company</u>	<u>Type of Bond</u>	<u>Coverage From - To</u>	<u>Coverage Limits</u>
Western Surety	Position	09/30/07 09/30/08	\$10,000 each on Cashiers, Mayor, Pro-Tem Mayor, Project Assistant
New Mexico Self Insurers Fund	Employee Theft/ Dishonesty	07/01/07 06/30/08	\$10,000 each instance \$20,000 aggregate all employees
Western Surety	Public	08/24/07 08/24/08	City Manager - \$50,000 Municipal Judge - \$50,000

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 12. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is a member of the New Mexico Self-Insurers' Fund (the "Fund"). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund's membership, obtain lower costs for insurance coverage, and develop a comprehensive loss control program. The City pays an annual premium to the Fund for its workers' compensation liability, general liability, auto liability, auto physical damage, and property coverage. The City's agreement with the Fund provides that the Fund will be self-sustaining through member premiums, and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member cities. The City paid premiums of \$457,705 for the year ended June 30, 2008.

NOTE 13. OPERATING LEASES

The City of Grants has entered into three thirty-six (36) month operating leases with IBM covering an "AS/400" computer and various peripherals calling for monthly payments of \$ 1,964 beginning July 1, 1997. The lease was renewed April 1, 2008 for one year.

The City of Grants has entered into two 48-month operating leases with Lanier World (now Ricoh) covering copiers calling for monthly payments of \$143.66 and \$274.80 beginning August 2004.

The City of Grants has entered into 48 month operating leases with Lanier World (now Ricoh) covering a copier for city hall calling for monthly payments of \$448.14 beginning May 2007.

The City of Grants has entered into 12 month operating leases with Sunguard Hte, Inc. covering a software lease calling for an annual payment of \$32,272 beginning May 2007.

The City of Grants has entered into 60 month operating leases with Avaya Financial covering a telephone lease calling for monthly payments of \$912 beginning March 2005.

The City of Grants has entered into 48 month operating leases with Savin covering a copier and for monthly payments of \$408 beginning July 2004.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$18,996
2010	14,568
2011	5,300
<i>Total</i>	\$38,864

All of above leases contain provisions for termination in the event budgetary constraints prevent the City from meeting financed obligations under said leases.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 14. SEGMENT INFORMATION

The City issued revenue bonds to finance the construction and improvements of the water and waste water (sewer) facilities. Both the water and sewer departments are accounted for in the utilities fund, which also accounts for refuse services. However, the revenue bonds rely solely on the revenue generated by the water and sewer activities for repayment. Summary financial information for the water and sewer departments is presented below.

CONDENSED STATEMENT OF NET ASSETS

	Water	Sewer
Assets:		
Current assets	\$289,683	\$1,286,803
Restricted assets	524,905	330,211
Capital assets	7,676,164	7,083,240
<i>Total assets</i>	8,490,752	8,700,254
Liabilities:		
Current liabilities	475,467	251,028
Non current liabilities	1,946,152	1,944,616
<i>Total liabilities</i>	2,421,619	2,195,644
Net Assets:		
Invested in capital assets, net of related debt	5,528,162	4,935,237
Restricted	330,473	330,211
Unrestricted	210,498	1,239,162
<i>Total net assets</i>	\$6,069,133	\$6,504,610

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 14. SEGMENT INFORMATION (CONTINUED)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Water	Sewer
Water/sewer charges, pledged against bonds	\$1,795,723	\$1,796,318
Depreciation expense	(310,753)	(262,187)
Operating expense	(842,003)	(1,517,021)
<i>Operating income</i>	642,967	17,110
Interest income	23,261	23,261
Interest expense	(50,810)	(50,810)
Operating transfers, net	(130,306)	(130,306)
Capital transfers, net	114,551	559,450
<i>Change in net assets</i>	599,663	418,705
Beginning net assets	5,469,470	6,085,905
Prior period adjustment	0	0
Beginning net assets restated	5,469,470	6,085,905
<i>Ending net assets</i>	\$6,069,133	\$6,504,610

CONDENSED STATEMENT OF CASH FLOWS

	Water	Sewer
Net Cash Provided (Used) By:		
Operating activities	\$1,214,082	\$508,167
Noncapital financing activities	(117,626)	(130,306)
Capital and related financing activities	(623,196)	(603,653)
Investing activities	23,261	23,261
<i>Net increase (decrease)</i>	496,521	(202,531)
Beginning cash and cash equivalents	58,781	1,652,735
Ending cash and cash equivalents	\$555,302	\$1,450,204
Cash and Cash Equivalents:		
Cash (included in current assets)	\$30,397	\$1,119,993
Cash (restricted assets)	524,905	330,211
	\$555,302	\$1,450,204

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 15. CONSTRUCTION COMMITMENTS

The City had outstanding construction contracts at June 30, 2008.

	Contract Amount	Spent to Date	Commitment Remaining	Source of Payment
Cone Construction	\$977,948	\$487,460	\$490,488	State & Federal
Waste Water Treatment Plant				
Stoven Construction	\$1,069,861	\$192,906	\$876,955	State
Animal Shelter				

SUPPLEMENTARY INFORMATION

CITY OF GRANTS
SPECIAL REVENUE FUNDS
JUNE 30, 2008

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts and major capital projects that are legally restricted to expenditures for specific purposes.

Cemetery Perpetual Care – To account for the portion of the sale of cemetery lots to be used for the perpetual care and maintenance of the city cemetery. Authorized by city resolution and NMSA 3-40-1.

Emergency Medical Services – To account for the state funding for the acquisition of emergency medical equipment. Authority NMSA 24-10A-1.

Fire Protection – To account for the state funding and for the acquisition and maintenance of adequate fire protection facilities in the Grants-Milan area. Authority NMSA 59A-53-1.

Foster Grandparents Program – To account for state funding for senior citizens. Authorized by city resolution.

Gasoline Road Tax – To account for state funds for maintenance of roads. Authorized by city resolution and NMSA 7-1-6.9.

Housing Authority Capital Funds Program – To account for federal funding made available by Housing and Urban Development (HUD) to Public Housing Authorities for their capital activities, including modernization and development of public housing. Financing is authorized by federal regulations.

Housing Authority Vouchers – To account for the Federal funding assistance payments and modernization provided by HUD, Section 8 grants used for housing rental of homes. Financing is authorized by Federal regulations.

Juvenile Recreation – To account for the revenues generated by cigarette taxes, which are restricted to expenditures for recreational purposes. Authority NMSA 7-12-15.

Law Enforcement Protection – To account for the state funding for law enforcement, which is used to provide adequate police protection. Authority NMSA 29-13-3.

Litter Control and Beautification – To account for funding for cleanup and beautification from the State Highway Department. Authorized by city resolution and NMSA 67-16-14.

Local Government Corrections – To account for state grant monies received by the municipality for prisoner care. Authority NMSA 33-3-25.

Lodgers' Tax – To account for the collection and administration of the lodgers' tax which is imposed on overnight motel and motel accommodations. Authority NMSA 3-38-14.

Lodgers' Tax Promotional – To account for the expenditure of lodgers' tax funds, which are used to promote commerce and tourism. Authority NMSA 3-38-14.

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

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

CITY OF GRANTS

Special Revenue Funds

JUNE 30, 2008

Special Revenue Funds (Continued)

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

State and Local (S & L) Narcotics Assistance Control Program – To account for the Federal funding for law enforcement activities against narcotics use and trafficking. Authorized enforcement by Federal regulations PL 99-570.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Cemetery Perpetual Care	Emergency Medical Services	Fire Protection	Foster Grandparents	Gasoline Road Tax
ASSETS					
Cash	\$84,348	\$7,386	\$126,048	\$469	\$312,932
Accounts receivable	0	0	0	0	0
Grant revenue receivable	0	0	0	10,833	0
Due from other funds	0	0	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$84,348	\$7,386	\$126,048	\$11,302	\$312,932
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$0	\$0
Accrued payroll	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	8,000	0
Total liabilities	0	0	0	8,000	0
Fund Balance:					
Unreserved, undesignated	84,348	7,386	126,048	3,302	312,932
Total fund balance	84,348	7,386	126,048	3,302	312,932
Total liabilities and fund balance	\$84,348	\$7,386	\$126,048	\$11,302	\$312,932

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Housing Authority Capital Funds Program	Housing Authority Vouchers	Juvenile Recreation	Law Enforcement Protection	Litter Control and Beautification
ASSETS					
Cash	\$0	\$128,479	\$80,503	\$6,279	\$402
Accounts receivable	0	0	0	29,600	0
Grant revenue receivable	0	0	0	0	3,499
Due from other funds	0	3,755	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$0	\$132,234	\$80,503	\$35,879	\$3,901
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$2,089	\$0	\$0	\$0
Accrued payroll	0	511	0	0	0
Deferred revenue	0	2,600	0	0	0
Due to other funds	0	5,946	0	0	4,500
Total liabilities	0	11,146	0	0	4,500
Fund Balance:					
Unreserved, undesignated	0	121,088	80,503	35,879	(599)
Total fund balance	0	121,088	80,503	35,879	(599)
Total liabilities and fund balance	\$0	\$132,234	\$80,503	\$35,879	\$3,901

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional	Senior Companion Program	Senior Employment Program
ASSETS					
Cash	\$13,284	\$143,787	\$49,652	\$30	\$151
Accounts receivable	0	36,234	0	0	0
Grant revenue receivable	0	0	0	13,348	4,161
Due from other funds	0	0	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$13,284	\$180,021	\$49,652	\$13,378	\$4,312
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$9,525	\$0	\$0	\$0	\$0
Accrued payroll	0	0	0	0	916
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	4,000	2,000
Total liabilities	9,525	0	0	4,000	2,916
Fund Balance:					
Unreserved, undesignated	3,759	180,021	49,652	9,378	1,396
Total fund balance	3,759	180,021	49,652	9,378	1,396
Total liabilities and fund balance	\$13,284	\$180,021	\$49,652	\$13,378	\$4,312

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Special Library Donation	State and Local Narcotics Assistance Control	Totals
ASSETS			
Cash	\$13,807	\$8,401	\$975,958
Accounts receivable	0	0	65,834
Grant revenue receivable	0	0	31,841
Due from other funds	0	0	3,755
Other deferred charges	0	0	0
<i>Total assets</i>	\$13,807	\$8,401	\$1,077,388
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$0	\$0	\$11,614
Accrued payroll	0	0	1,427
Deferred revenue	0	0	2,600
Due to other funds	0	0	24,446
<i>Total liabilities</i>	0	0	40,087
Fund Balance:			
Unreserved, undesignated	13,807	8,401	1,037,301
<i>Total fund balance</i>	13,807	8,401	1,037,301
<i>Total liabilities and fund balance</i>	\$13,807	\$8,401	\$1,077,388

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Cemetery Perpetual Care	Emergency Medical Services	Fire Protection	Foster Grandparents	Gasoline Road Tax
REVENUES					
Intergovernmental	\$0	\$7,956	\$137,764	\$70,675	\$0
Taxes	0	0	0	0	122,197
Lodgers' Tax	0	0	0	0	0
Fees	0	0	0	0	0
Investment income	3,026	182	6,067	0	11,475
Sales of property	14,100	0	0	0	
Miscellaneous	0	0	0	0	
<i>Total revenues</i>	<u>17,126</u>	<u>8,138</u>	<u>143,831</u>	<u>70,675</u>	<u>133,672</u>
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	5,925	89,261	0	0
Public works	0	0	0	0	145,064
Health and welfare	0	0	0	71,627	0
Culture and recreation	0	0	0	0	0
Capital outlay	0	0	0	0	0
<i>Total expenditures</i>	<u>0</u>	<u>5,925</u>	<u>89,261</u>	<u>71,627</u>	<u>145,064</u>
<i>Excess (deficiency) of revenues over expenditures</i>	17,126	2,213	54,570	(952)	(11,392)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	50,000
Operating transfers (out)	0	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
<i>Net changes in fund balances</i>	17,126	2,213	54,570	(952)	38,608
Fund balance, beginning of year	67,222	5,173	71,478	4,254	274,324
<i>Fund balance (deficit), end of year</i>	<u>\$84,348</u>	<u>\$7,386</u>	<u>\$126,048</u>	<u>\$3,302</u>	<u>\$312,932</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Housing Authority Capital Funds Program	Housing Authority Vouchers	Juvenile Recreation	Law Enforcement Protection	Litter Control and Beautification
REVENUES					
Intergovernmental	\$81,794	\$429,239	\$0	\$29,600	\$5,000
Taxes	0	0	4,275	0	0
Lodgers' Tax	0	0	0	0	0
Fees	0	0	0	0	0
Investment income	0	1,271	3,139	598	0
Sales of property	0	0	0	0	0
Miscellaneous	0	131	0	0	0
<i>Total revenues</i>	<u>81,794</u>	<u>430,641</u>	<u>7,414</u>	<u>30,198</u>	<u>5,000</u>
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	0	0	40,265	0
Public works	0	0	0	0	0
Health and welfare	14,741	397,584	0	0	6,301
Culture and recreation	0	0	0	0	0
Capital outlay	61,245	0	0	0	0
<i>Total expenditures</i>	<u>75,986</u>	<u>397,584</u>	<u>0</u>	<u>40,265</u>	<u>6,301</u>
<i>Excess (deficiency) of revenues over expenditures</i>	5,808	33,057	7,414	(10,067)	(1,301)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	0
Operating transfers (out)	(5,808)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>(5,808)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net changes in fund balances</i>	0	33,057	7,414	(10,067)	(1,301)
Fund balance, beginning of year	0	88,031	73,089	45,946	702
<i>Fund balance (deficit), end of year</i>	<u>\$0</u>	<u>\$121,088</u>	<u>\$80,503</u>	<u>\$35,879</u>	<u>(\$599)</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional	Senior Companion Program	Senior Employment Program
REVENUES					
Intergovernmental	\$0	\$0	\$0	\$90,353	\$30,460
Taxes	0	0	0	0	0
Lodgers' Tax	0	372,318	0	0	0
Fees	79,263	0	0	0	0
Investment income	1,799	6,814	0	0	0
Sales of property	0	0	0	0	0
Miscellaneous	0	0	0	0	0
<i>Total revenues</i>	<u>81,062</u>	<u>379,132</u>	<u>0</u>	<u>90,353</u>	<u>30,460</u>
EXPENDITURES					
Current:					
General government	0	58,378	0	0	0
Public safety	113,733	0	0	0	0
Public works	0	0	0	0	0
Health and welfare	0	0	0	91,389	29,848
Culture and recreation	0	0	216,543	0	0
Capital outlay	0	0	0	0	0
<i>Total expenditures</i>	<u>113,733</u>	<u>58,378</u>	<u>216,543</u>	<u>91,389</u>	<u>29,848</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(32,671)	320,754	(216,543)	(1,036)	612
Other Financing Sources (Uses):					
Operating transfers in	0	0	259,045	0	0
Operating transfers (out)	0	(309,045)	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>(309,045)</u>	<u>259,045</u>	<u>0</u>	<u>0</u>
<i>Net changes in fund balances</i>	(32,671)	11,709	42,502	(1,036)	612
Fund balance, beginning of year	36,430	168,312	7,150	10,414	784
<i>Fund balance (deficit), end of year</i>	<u>\$3,759</u>	<u>\$180,021</u>	<u>\$49,652</u>	<u>\$9,378</u>	<u>\$1,396</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Library Donation	State and Local Narcotics Assistance Control	Totals
REVENUES			
Intergovernmental	\$0	\$14,537	\$897,378
Taxes	0	0	126,472
Lodgers' Tax	0	0	372,318
Fees	0	0	79,263
Investment income	501	0	34,872
Sales of property	0	0	14,100
Miscellaneous	894	0	1,025
<i>Total revenues</i>	1,395	14,537	1,525,428
EXPENDITURES			
Current:			
General government	0	0	58,378
Public safety	0	18,645	267,829
Public works	0	0	145,064
Health and welfare	0	0	611,490
Culture and recreation	18	0	216,561
Capital outlay	0	0	61,245
<i>Total expenditures</i>	18	18,645	1,360,567
<i>Excess (deficiency) of revenues over expenditures</i>	1,377	(4,108)	164,861
Other Financing Sources (Uses):			
Operating transfers in	0	0	309,045
Operating transfers (out)	0	0	(314,853)
<i>Total other financing sources (uses)</i>	0	0	(5,808)
<i>Net changes in fund balances</i>	1,377	(4,108)	159,053
Fund balance, beginning of year	12,430	12,509	878,248
<i>Fund balance (deficit), end of year</i>	\$13,807	\$8,401	\$1,037,301

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
CEMETERY PERPETUAL CARE FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Sale of lots	\$7,000	\$7,000	\$14,100	\$7,100
Interest on investments	0	0	3,026	3,026
Donations	0	0	0	0
<i>Total revenues</i>	7,000	7,000	17,126	10,126
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	0	0
Capital outlay	50,000	50,000	0	50,000
<i>Total expenditures</i>	50,000	50,000	0	50,000
<i>Excess (deficiency) of revenues over expenditures</i>	(43,000)	(43,000)	17,126	60,126
Budgeted cash carryover	43,000	43,000	43,000	0
	\$0	\$0	\$60,126	\$60,126

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$17,126
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$17,126

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
EMERGENCY MEDICAL SERVICES FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$7,993	\$6,986	\$7,956	\$970
Interest on investments	0	0	182	182
<i>Total revenues</i>	7,993	6,986	8,138	1,152
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	5,925	(5,925)
Capital outlay	9,993	12,032	0	12,032
<i>Total expenditures</i>	9,993	12,032	5,925	6,107
<i>Excess (deficiency) of revenues over expenditures</i>	(2,000)	(5,046)	2,213	7,259
Budgeted cash carryover	2,000	5,046	5,046	0
	\$0	\$0	\$7,259	\$7,259

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,213
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$2,213

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
FIRE PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$123,334	\$137,764	\$137,764	\$0
Miscellaneous	0	0	0	0
Interest on investments	0	0	6,067	6,067
<i>Total revenues</i>	123,334	137,764	143,831	6,067
EXPENDITURES				
Personnel	0	0	0	0
Operating	64,500	64,500	89,261	(24,761)
Capital outlay	98,834	142,280	0	142,280
<i>Total expenditures</i>	163,334	206,780	89,261	117,519
<i>Excess (deficiency) of revenues over expenditures</i>	(40,000)	(69,016)	54,570	123,586
Budgeted cash carryover	40,000	69,016	69,016	0
	\$0	\$0	\$123,586	\$123,586

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$54,570
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$54,570

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
FOSTER GRANDPARENTS PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$89,705	\$89,705	\$83,135	(\$6,570)
EXPENDITURES				
Personnel	21,967	21,967	60,888	(38,921)
Operating	53,223	53,223	12,302	40,921
Capital outlay	0	0	0	0
<i>Total expenditures</i>	75,190	75,190	73,190	2,000
<i>Excess (deficiency) of revenues over expenditures</i>	14,515	14,515	9,945	(4,570)
Other Financing Sources (Uses):				
Operating transfers in	7,000	18,000	0	(18,000)
Operating transfers (out)	(7,000)	(18,000)	0	18,000
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$14,515	\$14,515	\$9,945	(\$4,570)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$9,945
Adjustments for revenue accruals	(12,460)
Adjustments for expenditures accruals	1,563
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$952)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GASOLINE ROAD TAX FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$150,000	\$150,000	\$0	(\$150,000)
Taxes	105,000	105,000	122,197	17,197
Interest on investments	0	0	11,475	11,475
Miscellaneous revenue	0	0	0	0
<i>Total revenues</i>	<u>255,000</u>	<u>255,000</u>	<u>133,672</u>	<u>(121,328)</u>
EXPENDITURES				
Personnel	75,216	75,216	41,781	33,435
Operating	358,000	438,000	103,283	334,717
Capital outlay	40,000	40,000	0	40,000
<i>Total expenditures</i>	<u>473,216</u>	<u>553,216</u>	<u>145,064</u>	<u>408,152</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(218,216)	(298,216)	(11,392)	286,824
Other Financing Sources (Uses):				
Operating transfers in	100,000	100,000	50,000	(50,000)
Operating transfers (out)	(50,000)	(50,000)	0	50,000
<i>Total other financing sources (uses)</i>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(168,216)	(248,216)	38,608	286,824
Budgeted cash carryover	168,216	248,216	248,216	0
	<u>\$0</u>	<u>\$0</u>	<u>\$286,824</u>	<u>\$286,824</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$38,608
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$38,608

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
HOUSING AUTHORITY CAPITAL FUNDS PROGRAM
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$0	\$0	\$81,794	\$81,794
Interest on investments	0	0	0	0
<i>Total revenues</i>	0	0	81,794	81,794
EXPENDITURES				
Personnel	0	0	3,888	(3,888)
Operating	0	0	10,853	(10,853)
Capital outlay	0	0	61,245	(61,245)
<i>Total expenditures</i>	0	0	75,986	(75,986)
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	5,808	5,808
Other Financing Sources (Uses):				
Operating transfers (out)	0	0	(5,808)	(5,808)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	\$0	\$0

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$0
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$0

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
HOUSING AUTHORITY VOUCHERS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$500,000	\$500,000	\$429,239	(\$70,761)
Interest on investments	0	0	1,271	1,271
Miscellaneous income	0	0	132	132
<i>Total revenues</i>	500,000	500,000	430,642	(69,358)
EXPENDITURES				
Personnel	24,000	24,000	24,215	(215)
Operating	14,810	14,810	24,305	(9,495)
Housing assistance payments	460,000	460,000	349,901	110,099
Capital outlay	0	0	0	0
<i>Total expenditures</i>	498,810	498,810	398,421	100,389
<i>Excess (deficiency) of revenues over expenditures</i>	\$1,190	\$1,190	\$32,221	\$31,031

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$32,221
Adjustments for revenue accruals	(1)
Adjustments for expenditures accruals	837
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$33,057

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
JUVENILE RECREATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Taxes	\$5,000	\$5,000	\$4,275	(\$725)
Interest on investments	0	0	3,139	3,139
<i>Total revenues</i>	5,000	5,000	7,414	2,414
EXPENDITURES				
Personnel	0	0	0	0
Operating	60,000	60,000	0	60,000
Capital outlay	0	0	0	0
<i>Total expenditures</i>	60,000	60,000	0	60,000
<i>Excess (deficiency) of revenues over expenditures</i>	(55,000)	(55,000)	7,414	62,414
Budgeted cash carryover	55,000	55,000	55,000	0
	\$0	\$0	\$62,414	\$62,414

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$7,414
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$7,414

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LAW ENFORCEMENT PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$27,800	\$27,800	\$29,600	\$1,800
Miscellaneous	0	0	0	0
Interest on investments	0	0	598	598
<i>Total revenues</i>	<u>27,800</u>	<u>27,800</u>	<u>30,198</u>	<u>2,398</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	20,000	20,000	25,114	(5,114)
Capital outlay	22,800	23,570	15,151	8,419
<i>Total expenditures</i>	<u>42,800</u>	<u>43,570</u>	<u>40,265</u>	<u>3,305</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(15,000)	(15,770)	(10,067)	5,703
Budgeted cash carryover	15,000	15,770	15,770	0
	<u>\$0</u>	<u>\$0</u>	<u>\$5,703</u>	<u>\$5,703</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$10,067)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$10,067)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LITTER CONTROL AND BEAUTIFICATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$7,100	\$7,100	\$6,000	(\$1,100)
EXPENDITURES				
Personnel	7,100	7,100	0	7,100
Operating	0	0	6,300	(6,300)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	7,100	7,100	6,300	800
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	(300)	(300)
Other Financing Sources (Uses):				
Operating transfers in	0	4,000	0	(4,000)
Operating transfers (out)	0	(4,000)	0	4,000
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	(\$300)	(\$300)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$300)
Adjustments for revenue accruals	(1,000)
Adjustments for expenditures accruals	(1)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$1,301)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LOCAL GOVERNMENT CORRECTIONS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Court fees	\$65,000	\$81,776	\$79,263	(\$2,513)
Interest on investments	0	0	1,799	1,799
<i>Total revenues</i>	65,000	81,776	81,062	(714)
EXPENDITURES				
Personnel	0	0	0	0
Operating	100,000	111,831	113,831	(2,000)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	100,000	111,831	113,831	(2,000)
Excess (deficiency) of revenues over expenditures	(35,000)	(30,055)	(32,769)	(2,714)
Budgeted cash carryover	35,000	30,055	30,055	0
	\$0	\$0	(\$2,714)	(\$2,714)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$32,769)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	98
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$32,671)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LODGERS' TAX FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Taxes	\$335,000	\$335,000	\$370,767	\$35,767
Interest on investments	0	0	6,815	6,815
<i>Total revenues</i>	335,000	335,000	377,582	42,582
EXPENDITURES				
Personnel	0	0	0	0
Operating	62,780	62,780	58,378	4,402
Capital outlay	0	0	0	0
<i>Total expenditures</i>	62,780	62,780	58,378	4,402
<i>Excess (deficiency) of revenues over expenditures</i>	272,220	272,220	319,204	46,984
Other Financing Sources (Uses):				
Operating transfers (out)	(309,045)	(309,045)	(309,045)	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(36,825)	(36,825)	10,159	46,984
Budgeted cash carryover	36,825	36,825	36,825	0
	\$0	\$0	\$46,984	\$46,984

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$10,159
Adjustments for revenue accruals	1,550
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$11,709

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LODGERS' TAX PROMOTIONAL FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES	\$0	\$0	\$0	\$0
EXPENDITURES				
Personnel	0	0	0	0
Operating	259,045	259,045	249,986	9,059
Capital outlay	0	0	0	0
<i>Total expenditures</i>	259,045	259,045	249,986	9,059
<i>Excess (deficiency) of revenues over expenditures</i>	(259,045)	(259,045)	(249,986)	9,059
Other Financing Sources (Uses):				
Operating transfers in	259,045	259,045	259,045	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	\$9,059	\$9,059

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$9,059
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	33,443
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$42,502

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SENIOR COMPANION PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$97,075	\$99,254	\$99,254	\$0
EXPENDITURES				
Personnel	22,604	22,604	66,948	(44,344)
Operating	65,234	68,786	24,441	44,345
Capital outlay	0	0	0	0
<i>Total expenditures</i>	87,838	91,390	91,389	1
<i>Excess (deficiency) of revenues over expenditures</i>	9,237	7,864	7,865	1
Other Financing Sources (Uses):				
Operating transfers in	7,500	12,000	0	(12,000)
Operating transfers (out)	(7,500)	(12,000)	0	12,000
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$9,237	\$7,864	\$7,865	\$1

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$7,865
Adjustments for revenue accruals	(8,901)
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$1,036)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SENIOR EMPLOYMENT PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$34,970	\$34,970	\$33,473	(\$1,497)
EXPENDITURES				
Personnel	26,958	30,460	30,460	0
Operating	0	0	0	0
<i>Total expenditures</i>	26,958	30,460	30,460	0
<i>Excess (deficiency) of revenues over expenditures</i>	8,012	4,510	3,013	(1,497)
Other Financing Sources (Uses):				
Operating transfers in	3,000	3,000	0	(3,000)
Operating transfers (out)	(3,000)	(3,000)	0	3,000
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$8,012	\$4,510	\$3,013	(\$1,497)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$3,013
Adjustments for revenue accruals	(3,013)
Adjustments for expenditures accruals	612
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$612

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SPECIAL LIBRARY DONATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Donations	\$500	\$500	\$894	\$394
Interest on investments	200	200	501	301
<i>Total revenues</i>	700	700	1,395	695
EXPENDITURES				
Personnel	0	0	0	0
Operating	3,500	3,500	18	3,482
Capital outlay	5,000	5,000	0	5,000
<i>Total expenditures</i>	8,500	8,500	18	8,482
<i>Excess (deficiency) of revenues over expenditures</i>	(7,800)	(7,800)	1,377	9,177
Budgeted cash carryover	7,800	7,800	0	(7,800)
	\$0	\$0	\$1,377	\$1,377

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,377
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$1,377

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
STATE AND LOCAL NARCOTICS ASSISTANCE CONTROL PROGRAM FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$121,907	\$121,907	\$25,829	(\$96,078)
Miscellaneous	0	0	0	0
<i>Total revenues</i>	121,907	121,907	25,829	(96,078)
EXPENDITURES				
Personnel	120,907	120,907	20,726	100,181
Operating	0	0	0	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	120,907	120,907	20,726	100,181
<i>Excess (deficiency) of revenues over expenditures</i>	\$1,000	\$1,000	\$5,103	\$4,103

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$5,103
Adjustments for revenue accruals	(11,292)
Adjustments for expenditures accruals	2,081
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$4,108)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
DEBT SERVICE FUNDS
JUNE 30, 2008

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Interest and Sinking Fund – To accumulate funds for payment of principal and interest.

GRT Revenue Bond Debt Service Fund 1993A – To accumulate funds for payment of refunding debt.

GRT Revenue Bond Reserve Fund 1993A – To accumulate funds per refunding bond agreement to insure future payment.

NMFA Loan – To accumulate funds for payment of loan to be paid from proceeds of a statewide gross receipts tax distributed by the New Mexico Taxation and Revenue Department.

NMFA Reserve – To accumulate funds for payment of loan to be paid from proceeds of gross receipts tax.

CITY OF GRANTS
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	G.O. Bonds Interest and Sinking Fund	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve
ASSETS			
Cash	\$334,263	\$146,020	\$0
Cash held with trustee	0	160,882	149,908
<i>Total assets</i>	\$334,263	\$306,902	\$149,908
LIABILITIES AND FUND BALANCE			
Liabilities	\$0	\$0	\$0
Fund Balance:			
Reserved for debt service	334,263	306,902	149,908
<i>Total fund balance</i>	334,263	306,902	149,908
<i>Total liabilities and fund balance</i>	\$334,263	\$306,902	\$149,908

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	NMFA Loan	NMFA Reserve	Totals
ASSETS			
Cash	\$0	\$0	\$480,283
Cash held with trustee	98,391	66,165	475,346
<i>Total assets</i>	\$98,391	\$66,165	\$955,629
LIABILITIES AND FUND BALANCE			
Liabilities	\$0	\$0	\$0
Fund Balance:			
Reserved for debt service	98,391	66,165	955,629
<i>Total fund balance</i>	98,391	66,165	955,629
<i>Total liabilities and fund balance</i>	\$98,391	\$66,165	\$955,629

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	G.O. Bonds Interest and Sinking Fund	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve
REVENUES			
Taxes	\$0	\$0	\$0
Investment income	13,873	4,402	5,243
<i>Total revenues</i>	13,873	4,402	5,243
EXPENDITURES			
Debt Service:			
Principal	0	120,000	0
Interest	0	22,643	0
Fees	0	2,175	0
<i>Total expenditures</i>	0	144,818	0
Excess (deficiency) of revenues over expenditures	13,873	(140,416)	5,243
Other Financing Sources (Uses):			
Operating transfers in	0	151,455	0
Operating transfers (out)	0	0	(6,107)
<i>Total other financing sources (uses)</i>	0	151,455	(6,107)
Net changes in fund balances	13,873	11,039	(864)
Fund balance, beginning of year	320,390	295,863	150,772
<i>Fund balance, end of year</i>	\$334,263	\$306,902	\$149,908

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	NMFA Loan	NMFA Reserve	Totals
REVENUES			
Taxes	\$0	\$0	\$0
Investment income	4,807	4,000	32,325
<i>Total revenues</i>	4,807	4,000	32,325
EXPENDITURES			
Debt Service:			
Principal	38,981	0	158,981
Interest	27,849	0	50,492
Fees	1,491	0	3,666
<i>Total expenditures</i>	68,321	0	213,139
Excess (deficiency) of revenues over expenditures	(63,514)	4,000	(180,814)
Other Financing Sources (Uses):			
Operating transfers in	73,831	0	225,286
Operating transfers (out)	0	(4,025)	(10,132)
<i>Total other financing sources (uses)</i>	73,831	(4,025)	215,154
Net changes in fund balances	10,317	(25)	34,340
Fund balance, beginning of year	88,074	66,190	921,289
<i>Fund balance, end of year</i>	\$98,391	\$66,165	\$955,629

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
INTEREST AND SINKING FUND
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$0	\$0	\$0	\$0
Interest on investments	10,000	10,000	13,873	3,873
<i>Total revenues</i>	10,000	10,000	13,873	3,873
EXPENDITURES				
Interest	5,000	5,000	0	5,000
Fees	0	0	0	0
<i>Total expenditures</i>	5,000	5,000	0	5,000
<i>Excess (deficiency) of revenues over expenditures</i>	\$5,000	\$5,000	\$13,873	\$8,873

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$13,873
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$13,873

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GRT REVENUE BOND DEBT SERVICE FUND 1993A
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$0	\$0	\$4,402	\$4,402
EXPENDITURES				
Paying agent fees	3,600	3,600	2,175	1,425
Bond interest	22,643	22,643	22,643	0
Bond principal	120,000	120,000	120,000	0
<i>Total expenditures</i>	146,243	146,243	144,818	1,425
<i>Excess (deficiency) of revenues over expenditures</i>	(146,243)	(146,243)	(140,416)	5,827
Other Financing Sources (Uses):				
Operating transfers in	152,848	152,848	151,455	(1,393)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	152,848	152,848	151,455	(1,393)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$6,605	\$6,605	\$11,039	\$4,434

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$11,039
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$11,039

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GRT REVENUE BOND RESERVE FUND 1993A
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest	\$7,500	\$7,500	\$5,243	(\$2,257)
EXPENDITURES				
Management fees	500	500	0	500
<i>Excess (deficiency) of revenues over expenditures</i>	7,000	7,000	5,243	(1,757)
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	(7,500)	(7,500)	(6,107)	1,393
<i>Total other financing sources (uses)</i>	(7,500)	(7,500)	(6,107)	1,393
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(500)	(500)	(864)	(364)
Budgeted cash carryover	500	500	500	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	(\$364)	(\$364)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$864)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$864)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NMFA LOAN FUND
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest	\$0	\$0	\$4,807	\$4,807
EXPENDITURES				
Principal	38,981	38,981	38,981	0
Interest	27,849	27,849	27,849	0
Fees	2,000	2,000	1,491	509
<i>Total expenditures</i>	68,830	68,830	68,321	509
<i>Excess (deficiency) of revenues over expenditures</i>	(68,830)	(68,830)	(63,514)	5,316
Other Financing Sources (Uses):				
Operating transfers in	74,807	74,807	73,831	(976)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$5,977	\$5,977	\$10,317	\$4,340

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$10,317
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$10,317

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NMFA RESERVE FUND
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$5,000	\$5,000	\$4,000	(\$1,000)
EXPENDITURES				
Principal	0	0	0	0
Interest	0	0	0	0
Fees	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	5,000	5,000	4,000	(1,000)
Other Financing Sources (Uses):				
Operating transfers (out)	(5,000)	(5,000)	(4,025)	975
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	(\$25)	(\$25)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$25)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$25)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2008

	Special Revenue	Debt Service	Total
ASSETS			
Cash	\$975,958	\$480,283	\$1,456,241
Cash held with trustee	0	475,346	475,346
Accounts receivable	65,834	0	65,834
Grant revenue receivable	31,841	0	31,841
Due from other funds	3,755	0	3,755
Other deferred charges	0	0	0
<i>Total assets</i>	\$1,077,388	\$955,629	\$2,033,017
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$11,614	\$0	\$11,614
Accrued payroll	1,427	0	1,427
Deferred revenue	2,600	0	2,600
Due to other funds	24,446	0	24,446
<i>Total liabilities</i>	40,087	0	40,087
Fund Balances:			
Reserved for debt service	0	955,629	955,629
Unreserved, undesignated	1,037,301	0	1,037,301
<i>Total fund balances</i>	1,037,301	955,629	1,992,930
<i>Total liabilities and fund balances</i>	\$1,077,388	\$955,629	\$2,033,017

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS

TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue	Debt Service	Total
REVENUES			
Taxes	\$126,472	\$0	\$126,472
Intergovernmental	897,378	0	897,378
Lodgers' Tax	372,318	0	372,318
Fees	79,263	0	79,263
Investment income	34,872	32,325	67,197
Sales of property	14,100	0	14,100
Miscellaneous	1,025	0	1,025
<i>Total revenues</i>	<u>1,525,428</u>	<u>32,325</u>	<u>1,557,753</u>
EXPENDITURES			
Current:			
General government	58,378	0	58,378
Public safety	267,829	0	267,829
Public works	145,064	0	145,064
Health and welfare	611,490	0	611,490
Culture and recreation	216,561	0	216,561
Capital outlay	61,245	0	61,245
Debt Service:			0
Principal	0	158,981	158,981
Interest	0	50,492	50,492
Fees	0	3,666	3,666
<i>Total expenditures</i>	<u>1,360,567</u>	<u>213,139</u>	<u>1,573,706</u>
<i>Excess (deficiency) of revenues over expenditures</i>	164,861	(180,814)	(15,953)
Other Financing Sources (Uses):			
Operating transfers in	309,045	225,286	534,331
Operating transfers (out)	(314,853)	(10,132)	(324,985)
<i>Total other financing sources (uses)</i>	<u>(5,808)</u>	<u>215,154</u>	<u>209,346</u>
<i>Net changes in fund balances</i>	159,053	34,340	193,393
Fund balance, July 1	878,248	921,289	1,799,537
<i>Fund balance, June 30</i>	<u>\$1,037,301</u>	<u>\$955,629</u>	<u>\$1,992,930</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
ENTERPRISE FUNDS
JUNE 30, 2008

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Golf Course Operating Fund – To account for the operation of the municipal golf course.

Home Program – A HUD-funded program passed through the New Mexico Mortgage Finance Authority. The program is designed to provide decent, safe, and sanitary housing for eligible low-income families and the elderly.

Low Rent – A direct HUD-funded program designed to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly through an authorized Public Housing Authority (PHA) or Indian Housing Authority (IHA).

CITY OF GRANTS
NONMAJOR PROPRIETARY FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Golf Course	Home Program	Low Rent	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$45,694	\$4,929	\$24,701	\$75,324
Investments	0	200,000	0	200,000
Accounts receivable tenants (net of allowance)	0	0	2,776	2,776
Accounts receivable	908	0	1,467	2,375
Interest receivable	0	4,887	0	4,887
Prepaid insurance	0	0	0	0
Other deferred charges	0	0	0	0
Due from other funds	0	0	22,412	22,412
<i>Total current assets</i>	46,602	209,816	51,356	307,774
Restricted Assets:				
Customer Deposits:	0	0	0	0
Cash and cash equivalents	0	0	0	0
<i>Total restricted assets</i>	0	0	0	0
Capital Assets				
Less accumulated depreciation	1,718,515	4,721	1,187,774	2,911,010
<i>Net capital assets</i>	(708,847)	(4,482)	(504,786)	(1,218,115)
Total assets	\$1,056,270	\$210,055	\$734,344	\$2,000,669
LIABILITIES				
Current Liabilities:				
Accounts payable	\$2,535	\$203	\$2,444	\$5,182
Accrued payroll	13,750	176	1,036	14,962
Due to other funds	0	20,221	0	20,221
Deferred revenue	0	0	0	0
Tenant security deposits	0	0	3,507	3,507
Tenants prepaid rent	0	0	274	274
Current portion of long-term debt	61,347	0	0	61,347
<i>Total current liabilities</i>	77,632	20,600	7,261	105,493
Non-Current Liabilities:				
Accrued compensated absences	30,500	341	1,958	32,799
Leases payable	43,040	0	0	43,040
<i>Total noncurrent liabilities</i>	73,540	341	1,958	75,839
<i>Total liabilities</i>	151,172	20,941	9,219	181,332
Net Assets:				
Invested in capital assets, net of related debt	905,281	239	682,988	1,588,508
Unrestricted	(183)	188,875	42,137	230,829
<i>Total fund net assets</i>	905,098	189,114	725,125	1,819,337
Total liabilities and fund net assets	\$1,056,270	\$210,055	\$734,344	\$2,000,669

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Golf Course	Home Program	Low Rent	Total
OPERATING REVENUES				
Golf fees	\$268,414	\$0	\$0	\$268,414
Rental income	3,600	0	25,626	29,226
<i>Total operating revenues</i>	272,014	0	25,626	297,640
OPERATING EXPENSES				
Operating expenses	570,342	10,255	93,608	674,205
Depreciation	66,351	64	35,688	102,103
<i>Total operating expenses</i>	636,693	10,319	129,296	776,308
<i>Operating income (loss)</i>	(364,679)	(10,319)	(103,670)	(478,668)
NON-OPERATING REVENUE AND (EXPENSES)				
Federal grants and subsidies	0	0	51,173	51,173
Interest earnings	0	9,317	156	9,473
Other - gain or (loss)	0	0	2,969	2,969
<i>Total non-operating revenue and (expenses)</i>	0	9,317	54,298	63,615
<i>Net income (loss) before contributions and transfers</i>	(364,679)	(1,002)	(49,372)	(415,053)
Operating transfers in	325,000	0	5,808	330,808
Capital transfers in	15,718	0	0	15,718
<i>Change in net assets</i>	(23,961)	(1,002)	(43,564)	(68,527)
Total fund net assets, at beginning of year	929,059	190,116	768,689	1,887,864
<i>Total fund net assets, at end of year</i>	\$905,098	\$189,114	\$725,125	\$1,819,337

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Golf Course	Home Program	Low Rent	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers (including other funds)	\$271,476	\$0	\$17,149	\$288,625
Cash paid to suppliers	(297,869)	1,613	(47,967)	(344,223)
Cash paid to employees	(298,491)	(8,579)	(44,940)	(352,010)
<i>Net cash provided (used) by operating activities</i>	(324,884)	(6,966)	(75,758)	(407,608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	325,000	0	5,808	330,808
<i>Net cash provided by (used) by noncapital financing activities</i>	325,000	0	5,808	330,808
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	(23,984)	0	0	(23,984)
Disposition of assets	0	0	0	0
Capital transfer in	23,113	0	0	23,113
Principal paid: revenue bonds/lease purchase/advances	(61,105)	0	0	(61,105)
Purchase of Investment	0	(147,636)	0	(147,636)
Grants and subsidies	0	0	51,173	51,173
Other gain (loss)	0	0	2,969	2,969
<i>Net cash provided (used) by capital and related financing activities</i>	(61,976)	(147,636)	54,142	(155,470)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	0	4,869	156	5,025
<i>Net increase (decrease) in cash</i>	(61,860)	(149,733)	(15,652)	(227,245)
Cash and restricted cash, beginning of year	107,554	154,662	40,353	302,569
<i>Cash and restricted cash, end of year</i>	\$45,694	\$4,929	\$24,701	\$75,324

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Golf Course	Home Program	Low Rent	Total
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	(\$364,679)	(\$10,319)	(\$103,670)	(\$478,668)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	66,351	64	35,688	102,103
Provision for uncollectible accounts	0	0	0	0
Change in assets and liabilities:				
(Increase) Decrease in assets:				
Accounts receivables	(538)	0	(1,035)	(1,573)
Due from/(to) other funds	150	2,963	703	3,816
Inventories	0	0	0	0
Prepays and deposits	0	0	1,177	1,177
Increase (Decrease) in liabilities:				
Accounts and contracts payable	(22,395)	72	(1,940)	(24,263)
Wages payable and accrued liabilities	(3,773)	254	1,938	(1,581)
Other deferred charges	0	0	(8,776)	(8,776)
Tenants prepaid rent	0	0	157	157
<i>Total adjustments</i>	39,795	3,353	27,912	71,060
<i>Net cash provided (used) by operating activities</i>	<i>(\$324,884)</i>	<i>(\$6,966)</i>	<i>(\$75,758)</i>	<i>(\$407,608)</i>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GOLF COURSE OPERATING FUND
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Golf course fees	\$250,000	\$250,000	\$268,414	\$18,414
Rental income	0	0	3,600	3,600
Other	0	0	0	0
<i>Total revenues</i>	250,000	250,000	272,014	22,014
OPERATING EXPENSES				
Personnel	324,375	324,375	291,066	33,309
Operating	273,398	273,398	359,565	(86,167)
Capital outlay	98,000	83,000	8,265	74,735
<i>Total operating expenses</i>	695,773	680,773	658,896	21,877
<i>Operating income (loss)</i>	(445,773)	(430,773)	(386,882)	43,891
Non-Operating Revenue (Expenses)				
Transfers in	325,000	325,000	325,000	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	325,000	325,000	325,000	0
<i>Net income (loss) after transfers</i>	(120,773)	(105,773)	(61,882)	43,891
Budgeted cash carryover	120,773	105,773	105,773	0
	\$0	\$0	\$43,891	\$43,891

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$61,882)
Adjustments for revenue accruals	0
Capital transfers	15,718
Adjustments for expenditures accruals	22,203
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$23,961)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
HOME PROGRAM
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Rental income	\$25,000	\$25,000	\$0	(\$25,000)
Interest on investments	0	0	9,317	9,317
Miscellaneous income	0	0	0	0
Gain (loss) on sale of assets	0	0	0	0
<i>Total revenues</i>	25,000	25,000	9,317	(15,683)
OPERATING EXPENSES				
Personnel	4,000	4,000	6,035	(2,035)
Operating	21,000	21,000	4,220	16,780
<i>Total operating expenses</i>	25,000	25,000	10,255	14,745
<i>Operating income (loss)</i>	\$0	\$0	(\$938)	(\$938)

Note: Project Home - sale of housing units is not a budgeted program per HUD.

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$938)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(64)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$1,002)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
LOW RENT
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Rental income	\$21,000	\$21,000	\$24,692	\$3,692
Intergovernmental	0	0	0	0
Gain (Loss) on sale of asset	0	0	0	0
<i>Total revenues</i>	21,000	21,000	24,692	3,692
OPERATING EXPENSES				
Personnel	31,000	31,000	31,739	(739)
Operating	51,000	64,378	61,869	2,509
Capital outlay	0	0	0	0
<i>Total operating expenses</i>	82,000	95,378	93,608	1,770
<i>Operating income (loss)</i>	(61,000)	(74,378)	(68,916)	5,462
Non-Operating Revenue (Expenses)				
HUD grants and subsidy	60,000	60,000	51,173	(8,827)
Interest	500	500	156	(344)
Other	0	0	3,903	3,903
Transfers in	0	0	5,808	5,808
<i>Total non-operating revenue (expenses)</i>	60,500	60,500	61,040	540
<i>Net income (loss) after transfers</i>	(500)	(13,878)	(7,876)	6,002
Budgeted cash carryover	500	13,878	13,878	0
	\$0	\$0	\$6,002	\$6,002

Note: The budget is used only as a guideline and is not required by HUD to be amended.

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$7,876)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(35,688)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$43,564)

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
UTILITIES
ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Refuse collection	\$1,150,000	\$1,150,000	\$1,394,974	\$244,974
Water sales (net)	1,392,000	1,392,000	1,608,726	216,726
Sewer charges	1,500,000	1,500,000	1,596,551	96,551
Total government tax	202,900	202,900	240,150	37,250
Other	70,000	70,000	330,841	260,841
<i>Total revenues</i>	4,314,900	4,314,900	5,171,242	856,342
OPERATING EXPENSES				
Public works	3,762,025	3,762,025	3,841,102	(79,077)
Capital outlay	210,000	273,000	71,246	201,754
<i>Total operating expenses</i>	3,972,025	4,035,025	3,912,348	122,677
<i>Operating income (loss)</i>	342,875	279,875	1,258,894	979,019
Non-Operating Revenue (Expenses)				
Interest income	93,500	43,500	62,500	19,000
Transfers in	875,518	925,518	940,480	14,962
Transfers (out)	(1,016,534)	(1,332,068)	(1,331,398)	670
Interest expense	(101,770)	(101,770)	(99,770)	2,000
Principal payments	(443,687)	(443,687)	(443,686)	1
Debt service fees	(3,500)	(3,500)	(1,850)	1,650
Set aside - NMED	0	0	0	0
Reserve	(408,680)	(408,680)	0	408,680
<i>Total non-operating revenue (expenses)</i>	(1,005,153)	(1,320,687)	(873,724)	446,963
<i>Net income (loss)</i>	(662,278)	(1,040,812)	385,170	1,425,982
Budgeted cash carryover	662,278	1,040,812	1,040,812	0
	\$0	\$0	\$1,425,982	\$1,425,982

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$385,170
Adjustments for revenue accruals	10,731
Capital transfers in (out) - net	674,001
Adjustments for expenditures accruals	52,680
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$1,122,582

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
GENERAL GOVERNMENT IMPROVEMENTS
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$4,525,214	\$4,525,214	\$1,348,618	(\$3,176,596)
Other	0	0	100,899	100,899
Rental revenue	32,100	32,100	49,292	17,192
<i>Total revenues</i>	4,557,314	4,557,314	1,498,809	(3,058,505)
EXPENDITURES				
Current:				
Capital outlay	5,602,214	5,942,214	2,171,545	3,770,669
<i>Total expenditures</i>	5,602,214	5,942,214	2,171,545	3,770,669
<i>Excess (deficiency) of revenues over expenditures</i>	(1,044,900)	(1,384,900)	(672,736)	712,164
Other Financing Sources (Uses):				
Operating transfers in	600,000	775,000	775,000	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	600,000	775,000	775,000	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(444,900)	(609,900)	102,264	712,164
Budgeted cash carryover	444,900	609,900	609,900	0
	\$0	\$0	\$712,164	\$712,164

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$102,264
Adjustments for revenue accruals	364,544
Capital transfers out	(687,192)
Adjustments for expenditures accruals	578,013
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$357,629

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRANTS
AGENCY FUNDS
JUNE 30, 2008

FIDUCIARY FUND TYPES

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Appearance Bond Fund – To account for collection and payments of Appearance Bonds from individuals arrested or cited by City Police.

Senior Citizens – To account for funds raised by members of the City of Grants Senior Citizen Organization to be used by and for Senior Citizen functions.

CITY OF GRANTS
ALL AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Increase	Decrease	Balance June 30, 2008
Appearance Bond Fund:				
Assets				
Petty cash	\$500	\$0	\$0	\$500
Cash in bank	25,368	22,957	28,354	19,971
	<u>\$25,868</u>	<u>\$22,957</u>	<u>\$28,354</u>	<u>\$20,471</u>
Liabilities				
Deposits held for others	\$25,868	\$22,957	\$28,354	\$20,471
Senior Activity Account:				
Assets				
Cash in bank	\$2,044	\$9,541	\$8,284	\$3,301
Liabilities				
Funds held for Seniors	\$2,044	\$9,541	\$8,284	\$3,301
Total Agency Funds:				
Assets				
Petty cash	\$500	\$0	\$0	\$500
Cash in bank	27,412	32,498	36,638	23,272
Total assets	<u>\$27,912</u>	<u>\$32,498</u>	<u>\$36,638</u>	<u>\$23,772</u>
Liabilities				
Deposits held for others	\$27,912	\$32,498	\$36,638	\$23,772
Total liabilities	<u>\$27,912</u>	<u>\$32,498</u>	<u>\$36,638</u>	<u>\$23,772</u>

The Notes to Financial Statements are an integral part of these statements.

CITY OF GRANTS
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2008	Audit Responsibility	Revenues and Expenditures Reported on:
City of Grants NW New Mexico Solid Waste Authority	NW New Mexico Solid Waste Authority	Solid waste disposal services.	July 1, 2007 June 30, 2008	N/A	\$7,997	NW NM Solid Waste	REV: NW NMSW EXP: City of Grants
City of Grants County of Cibola Village of Milan	Village of Milan	Operation of Public Transit System	September 1, 2006 and Continuing	N/A	\$20,396	Village of Milan	REV: Village of Milan Cibola County Zia Bus Sales EXP: City of Grants

The Notes to Financial Statements are an integral part of these statements.

ADDITIONAL FEDERAL INFORMATION

CITY OF GRANTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at June 30, 2007	Restate- ments	Receipts	Expenditures	Accrued or (Deferred) Revenue at June 30, 2008
<u>U.S. Department of Agriculture</u>								
Passed through State of New Mexico:								
Passed through North Central								
New Mexico Economic Development District:								
Area Agency on Aging		Contract						
Nutritional Service Incentive Program	10.558	No. 01-02	\$22,445	\$0	\$2,450	(\$21,551)	\$22,445	\$3,344
<i>Total U.S. Department of Agriculture</i>			\$22,445	\$0	\$2,450	(\$21,551)	\$22,445	\$3,344
<u>U.S. Department of Defense</u>								
Army Corps of Engineers								
Sec 595 Water Resources Development Act	12.xxx		\$1,842,900	\$0	\$0	(\$174,500)	\$344,134	\$169,634
<i>Total U.S. Department of Agriculture</i>			\$1,842,900	\$0	\$0	(\$174,500)	\$344,134	\$169,634
<u>U.S. Department of Health and Human Services</u>								
Passed through North Central								
New Mexico Economic Development District:								
Special Programs for the Aging Title III B	93.044	Contract	\$40,342	\$2,450	(\$2,450)	(\$40,342)	\$40,342	\$0
Title III C	93.045	No. 3	31,840	0	0	(31,190)	31,840	650
<i>Total U.S. Department of Health and Human Services</i>			\$72,182	\$2,450	(\$2,450)	(\$71,532)	\$72,182	\$650
<u>U.S. Department of Housing and Urban Development</u>								
Passed through NM Dept. of Finance and Administration								
Community Development Block Grant -								
Comprehensive Plan	14.228	05-C-NR-I-1-G-62	\$50,000	\$12,200	\$0	(\$26,383)	\$14,183	\$0
Storm Water Drainage Impr. Program	14.288	07-CNR-I-01-G-36	300,000	0	0	0	0	0
Direct Funding:								
Low Rent Public Housing Operating								
Subsidy - Housing	14.850		51,173	0	0	(51,173)	51,173	0
Section 8 Rental Voucher Program -								
Housing	14.871		426,639	0	0	(426,639)	424,039	(2,600)
Public Housing Capital Fund	14.872		121,723	(8,776)	0	(71,604)	80,380	0
<i>Total U.S. Department of Housing and Urban Development</i>			\$599,535	\$3,424	\$0	(\$575,799)	\$569,775	(\$2,600)

CITY OF GRANTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at June 30, 2007	Restate- ments	Receipts	Expenditures	Accrued or (Deferred) Revenue at June 30, 2008
<u>U.S. Department of Transportation</u>								
Airport Improvement Program	20.106	3-35-0020-010	\$52,250	\$0	\$0	(\$47,708)	\$47,708	\$0
<i>Total U.S. Department of Transportation</i>			\$52,250	\$0	\$0	(\$47,708)	\$47,708	\$0
<i>Total Federal Financial Assistance</i>			\$2,589,312	\$5,874	\$0	(\$891,090)	\$1,056,244	\$171,028
Deferred grant revenue (page 12)								(\$2,600)
Grant revenue receivable (page 12) (\$477,605 less state grant receivables of \$303,977)								\$173,628
								\$171,028

N/A - Not Available

Basis of Presentation:

The above schedule of expenditures of federal awards includes the federal grant activity of City of Grants and is presented on the accrual basis of accounting.

This information in this schedule is presented in accordance with the requirements of OMB Circular A.133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**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, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and the combining and individual funds presented as supplementary information of the City of Grants (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. 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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, findings 2008-01, 2008-02, and 2008-03.

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

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2008-04.

The City of Grants' responses to the findings identified in our audit were described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Council, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

November 21, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico

Compliance

We have audited the compliance of the City of Grants with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Grants' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Grants' management. Our responsibility is to express an opinion on the City of Grants' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grants' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Grants' compliance with those requirements.

In our opinion, the City of Grants complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Grants is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grants' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Mr. Hector H. Balderas, State Auditor and
The Mayor and City Council
City of Grants
Grants, New Mexico
Page Two

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

November 21, 2008

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor’s Report issued:

Unqualified

Internal Control Over Financial Reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

 X Yes _____ No

Noncompliance material to financial statements noted?

_____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes X No

Type of Auditor’s Report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Section 8 Rental Voucher Program

14.850

Low Rent Public Housing Operating Subsidy

12.xxx

Section 595 Water Resources Development Act

Dollar threshold used to distinguish between Type A and Type B Programs:

\$300,000.00

Auditee qualified as low-risk auditee?

 X Yes _____ No

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2008-01 Lump Sum Payment to Employee – Not Part of Payroll

Statement of Condition – The Housing Authority Director was paid a lump sum payment for compensation of \$4,824 that was not properly included in payroll.

Criteria – Per IRS regulations all compensation to employees must be consistently treated as wages/salary. An employee is not allowed to receive both compensation as an employee and payment as a contract laborer.

Cause – The Housing Authority wrote a check directly to the employee for the gross amount and did not process through the City payroll.

Effect – The City is in violation of IRS regulations for compensation, and employee and employer payroll taxes have not been properly paid or reported. Therefore, the City will be subject to IRS penalties and interest.

Recommendation – Payroll reports should be amended to properly include this compensation and the proper payroll taxes should be remitted. The employee should reimburse the City the portion of payroll taxes not properly withheld. In addition, the City should inform management of the Housing Authority as well as the board members of the Housing Authority that all compensation must be properly processed through the City payroll.

Management's Response – The City has notified the Housing Authority Director that all payroll checks must be processed through the City with no exceptions. The payroll reports will be amended and the proper payroll taxes will be submitted along with the Housing Authority Director submitting the proper taxes due for withholding amounts.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2008-02 Disbursement Checks Post Dated

Statement of Condition – The Housing Authority is writing checks at month end to pay invoices but is dating the checks for the following month totaling \$6,607. At June 30, 2008, three checks cleared the bank (\$4,509) prior to June 30, 2008 that were dated July 1, 2008.

Criteria – Good internal controls require that transactions are dated when performed to provide a clear audit trail and cut off.

Cause – The Housing Authority Director thought the bank would not clear the checks prior to their date. (Although, one of the checks was written to the Director for reimbursement of expenses.)

Effect – Accounts payable at June 30, 2008 were overstated due to these post-dated checks. (An adjustment was made to correct accounts payable upon discovery.)

Recommendation – The City should adopt a clear policy that all transactions are to be dated at the time they are processed.

Management's Response – The Grants Housing Director will adopt a policy that will not allow for predated checks.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2008-03 Terminated Employees Not Paid Within Five-Day Requirement

Statement of Condition – Four terminated employees (forced terminations) were not paid their final pay within the required five days. We tested eleven terminations (7 resignations, 4 forced terminations).

Criteria – NMSA 1978 Section 50-4-4 says employers must be paid within five days from the day they are discharged.

Cause – The City was unaware of the five-day requirement.

Effect – Potential for the employee to make a claim for additional compensation.

Recommendation – The City should establish and implement a policy that all forced terminations are to be paid within five days of termination.

Management's Response – The City was of the opinion that this did not include seasonal temporary workers. The City will establish a policy that will adhere to NMSA 1978 Section 50-4-4.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

NON-COMPLIANCE

2008-04 Budgeted Expenditures Exceeded

Statement of Condition – The City exceeded its budgets in the CFP Program (by \$75,986) and Local Government Corrections Funds (by \$2,000).

Criteria – The budget provisions as stated in 6-3-1 to 6-3-25 NMSA 1978 require that expenditures at the fund level cannot exceed budget expenditures.

Cause – The Housing Authority, although a part of the City, budgets in accordance with HUD requirements, which uses a budget only as a guideline. The City erred in their final budget adjustment for the Local Government Corrections Fund.

Effect – Noncompliance with New Mexico budgeting statutes.

Recommendation – The City should adopt budgets and monitor and amend those budgets in accordance with New Mexico State Statutes.

Management's Response – The City will adopt a budget for the Capital Funds Program for the Housing Authority in order to be in compliance. The City made a year end budget adjustment for the Local Government Correction Fund but incorrectly input the amount of \$111,831. The correct amount should have been \$113,831.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2007-01 Council Meeting Minutes Inadequate

Resolved and not repeated.

2007-02 Collateral Not Pledged to Bank Account

Resolved and not repeated.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

CITY OF GRANTS
EXIT CONFERENCE
JUNE 30, 2008

EXIT CONFERENCE:

The exit conference was held November 24, 2008 and was attended by the following:

From City of Grants:

Joe Murrietta, Mayor
Mary Savacheck, Chairman of the Housing Authority Board
Bob Horacek, City Manager
Joann Candelaria, Executive Director Housing Authority
Michelle Lucero, Systems Analyst

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA, Shareholder

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the City of Grants' personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.