



KRIEGEL/GRAY/SHAW & CO., P.C.

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**STATE OF NEW MEXICO
CITY OF GRANTS**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2011

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CITY OF GRANTS
OFFICIAL ROSTER
JUNE 30, 2011

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Grants (the "City"), as of and for the year ended June 30, 2011, 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 the budgetary comparisons for the major capital project fund, major proprietary funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor enterprise fund of the City of Grants as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, major proprietary funds, and all nonmajor 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
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 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 are 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 Financial Data Schedule (FDS) is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and is not a required part of the basic financial statements of the City of Grants. 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.

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

November 30, 2011

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011.

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 \$1,453,356 less than the \$11,899,500 generated in taxes, other revenues, and transfers for governmental programs.
- In the City's business-type activities, revenues, and transfers increased 6% to \$6,732,554 while expenses decreased 3%.
- The general fund reported a surplus this year of \$1,238,082.

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.

Certain items in the prior year financial statements have been reclassified for comparison purposes.

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 11 through 12 of this report.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011

Government-Wide Financial Analysis

City of Grants
Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets and other assets	\$11,237,821	\$10,183,041	\$4,168,201	\$3,725,831	\$15,406,022	\$13,908,872
Capital	3,7639,686	37,312,498	16,791,115	16,873,791	54,430,801	54,186,289
Total assets	\$48,877,507	\$47,495,539	\$20,959,316	\$20,599,622	\$69,836,823	\$68,095,161
Liabilities:						
Current and other liabilities	\$1,173,680	\$1,093,688	\$1,092,862	\$1,191,709	\$2,266,542	\$2,285,397
Long-term liabilities	1,156,813	1,308,193	2,905,488	3,262,147	4,062,301	4,570,340
Total liabilities	2,330,493	2,401,881	3,998,350	4,453,856	6,328,843	6,855,737
Net Assets:						
Invested in capital assets, net of related debt	36,623,390	36,075,304	13,596,436	13,136,086	50,219,826	49,211,390
Restricted net assets	3,119,127	1,743,456	984,145	736,391	4,103,272	2,479,847
Unrestricted net assets	6,804,497	7,274,898	2,380,385	2,273,289	9,184,882	9,548,187
Total net assets	46,547,014	45,093,658	16,960,966	16,145,766	63,507,980	61,239,424
Total liabilities and net assets	\$48,877,507	\$47,495,539	\$20,959,316	\$20,599,622	\$69,836,823	\$68,095,161

Capital assets (net of accumulated depreciation) make up 77.0% 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 3.2% for fiscal year ending June 30, 2011. This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have been decreased by 3.0% due to a decrease in the settlement payable. Total assets have increased in 2011 due to the following factors. Taxes increased in 2011 by \$1,355,412, Grants and contributions decreased by \$957,178, and charges for services increased by \$18,506. Investment income decreased in fiscal year 2011 due to a decrease in interest rates. Administrative fees from the Utility Fund have increased due to scheduled rate increases implemented. These factors primarily affect the increase in current assets in 2011 compared to 2010.

Net assets for business-type activities have increased by \$815,200, an increase of 5.0%. The increase is due primarily to a five-year rate increase for water, wastewater and refuse implemented in fiscal year 2007-2008. Overall, liabilities were reduced due to annual reductions in long-term debt. Additional debt was incurred in fiscal year 2011 to improve the water system.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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 2010 were \$8,004,647 and \$9,463,026 in 2011, an increase of \$1,458,379 (18.2%) for comparative years. The majority of the difference is due to an increase in taxes.

Expenditures in the General Fund for fiscal year 2010 were \$6,152,233 and \$6,378,547 for fiscal year 2011, an increase of \$226,314 (3.7%). The slight increase was due primarily to a conscious effort to maintain expenditure levels in a declining economy. The General Fund fund balance increased in 2011 in the amount of \$1,238,082 with revenues exceeding expenditures less transfers for an ending fund balance of \$7,178,334 as of June 30, 2011.

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 2009/2010 the City accounted for \$836,431 in federal grant revenues and \$752,965 in state grants for total grant revenues of \$1,589,396. In fiscal year 2010/2011 the total grant revenues of \$610,331 consisted of federal grant revenues of \$314,978 and state grant revenues of \$292,598.

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 2009/2010 were \$2,094,896. The majority of the expenditures were incurred for the Nimitz Bridge, roads, city hall building, downtown master plan, airport improvements, street drainage projects, and various other small equipment purchases. Expenditures in fiscal year 2010/2011 were \$1,529,453 with an additional capital transfer out of \$706,382. 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 Nimitz Bridge, roads, city hall building, downtown masterplan, airport improvements, street drainage projects, and various other small equipment purchases.

UTILITY FUND

The Utility Fund is used to account for all water, sewer and refuse revenues and expenses. It is a major proprietary fund for the City. Total operating revenues for 2009/2010 fiscal year was \$5,696,211 and \$5,675,004 for 2010/2011; a slight decrease of \$21,207 (.37%). The slight decrease is attributable to variation in customer usage. Net income increased in 2011 versus 2010 by \$804,675. Operating expenses decreased in fiscal year 2010/2011 compared to 2009/2010 by \$312,728, which is 11.8%. The remaining amount of the net income increase results from capital assets transferred in from the general government improvement fund.

General Fund Budgetary Highlights

The City of Grants total actual expenditures for fiscal year 2010/2011 were .6% under the budgeted expenditure amounts for the year. Public safety is responsible for 35.3%, general government is responsible for 16.1% and public works is responsible for 36.6% of the General Fund expenditures.

The City's total state shared and municipal tax amount for fiscal year 2010/2011 increased by 27% over fiscal year 2009/2010. The Grants economy continued to show growth in spite of the overall economic down turns in the State and County.

General Fund budgeted expenditures increased from the original budget to the final budget by \$50,000. This increase was for judgments for drainage issues paid by the City. There were no variations between the original budget and final budget revenues for the General Fund.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

City of Grants
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$1,315,939	\$1,297,433	\$6,050,055	\$6,072,468	\$7,365,994	\$7,369,901
Operating grants and contributions	1,277,977	1,394,042	15,648	64,444	1,293,625	1,458,486
Capital grants and contributions	748,283	1,589,396	0	0	748,283	1,589,396
General Revenue:						
Taxes	8,421,979	7,066,567	0	0	8,421,979	7,066,567
Investment income	23,547	51,764	8,264	15,818	31,811	67,582
Miscellaneous	111,775	(438,798)	(435)	6,690	111,340	432,108
<i>Total revenue</i>	11,899,500	10,960,404	6,073,532	6,159,420	17,973,032	17,119,824
Expenses:						
General Government	2,158,561	2,501,508	0	0	2,158,561	2,501,508
Public Safety	2,592,583	2,455,282	0	0	2,592,583	2,455,282
Public Works	3,010,023	2,277,864	0	0	3,010,023	2,277,864
Health and Welfare	921,404	992,066	0	0	921,404	992,066
Culture and Recreation	1,053,367	1,051,987	0	0	1,053,367	1,051,987
Interest and fees on long-term debt	51,184	52,640	0	0	51,184	52,640
Water, sewer and refuse	0	0	4,930,148	5,253,171	4,930,148	5,253,171
Golf	0	0	829,114	701,273	829,114	701,273
Rental	0	0	158,092	162,356	158,092	162,356
<i>Total expenses</i>	9,787,122	9,331,347	5,917,354	6,116,800	15,704,476	15,448,147
Increase in net assets before transfers	2,112,378	1,629,057	156,178	42,620	2,268,556	1,671,677
Transfers	(659,022)	(166,067)	659,022	166,067	0	0
<i>Change in Net Assets</i>	1,453,356	1,462,990	815,200	208,687	2,268,556	1,671,677
Net Assets – July 1	45,093,658	43,630,668	16,145,766	15,937,079	61,239,424	59,567,747
<i>Net Assets - June 30</i>	\$46,547,014	\$45,093,658	\$16,960,966	\$16,145,766	\$63,507,980	\$61,239,424

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Government Activities

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2011, with the exception of capital grants where amounts expended have been capitalized.

Business-Type Activities

Business-type activities income before transfers increased the City's net assets by \$156,178. Decreases in expenses were responsible for this net 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 \$10,290,550, 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, 2011 amounted to \$37,639,686. 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:

- Street Improvements and Drainage Projects

Long-term Debt

The City's total debt (excluding compensated absences and leases payable) as of June 30, 2011 is \$4,184,707, which decreased by \$505,486, which represents payments of outstanding debt net of new debt proceeds of \$208,438. The majority of this amount is due to the outstanding loan amount of \$2,853,411 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 bonds during the current fiscal year. The City has no general obligation bonds outstanding at June 30, 2011. The City did borrow \$208,438 from New Mexico Finance Authority Water Trust Board for water system improvements.

CITY OF GRANTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

City of Grants
Outstanding Bonds and Liabilities to Financial Institutions

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$425,000	\$555,000	\$265,000	\$390,000	\$690,000	\$945,000
General Obligation Bonds	0	0	0	0	0	0
Notes Payable	484,844	479,194	2,853,411	2,993,777	3,338,255	3,472,971
NMFA – Fire Truck	156,452	203,000	0	0	156,452	203,000
Capital Leases	0	0	284,706	353,928	284,706	353,928
Total	\$1,066,296	\$1,237,194	\$3,403,117	\$3,737,705	\$4,469,413	\$4,974,899

Economic Factors

The City of Grants base gross receipts taxes which is the City's largest resource increased by 2% from fiscal year 2007/2008 to fiscal year 2008/2009, 4.5% from fiscal year 2008/2009 to fiscal year 2009/2010, 35% from fiscal year 2010/2011. The current fiscal year shows a moderate rate increase. As the overall economic difficulties continue to occur in other municipalities in New Mexico 35% is substantial positive growth for the City.

The City's comparison of gross receipts for 2009/2010 to fiscal year 2010/2011 excluding construction gross receipts is an increase of 35% in fiscal 2010/2011. The City continues to maintain consistency in their collections. There is one main indicator that explains the above mentioned overall 35% increase. The State of New Mexico implemented an amnesty program for outstanding Gross Receipts taxes which to the best of the Cities estimate explains approximately 65% of the 35% increase. The remaining increase would be because the price of fuel encourages area residents and outlying areas to trade in the City of Grants. The City continues to promote economic development in aggressively supporting Cibola Communities Economic Development Foundation.

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 2008. The City continues to insure that revenues are sufficient to meet budgeted obligations. The City makes every effort possible to ensure that the resources available are maximized to provide services to the public.

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 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, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$9,453,083	\$2,334,898	\$11,787,981
Cash held with trustee	506,052	0	506,052
Grant revenue receivable	125,887	0	125,887
Accounts receivable, net	1,170,139	0	1,170,139
State taxes receivable	0	534,689	534,689
Internal balances	(26,676)	26,676	0
Inventories	0	68,691	68,691
Other assets	9,336	0	9,336
Restricted Assets:			
Cash - SBF - Construction	0	208,438	208,438
Cash - debt reserves	0	775,545	775,545
Cash - customer deposits	0	219,264	219,264
Capital Assets:			
Capital assets not depreciated	5,138,228	2,784,593	7,922,821
Capital assets, depreciated	45,678,971	34,599,387	80,278,358
Accumulated depreciation	(13,177,513)	(20,592,865)	(33,770,378)
<i>Total capital assets</i>	<i>37,639,686</i>	<i>16,791,115</i>	<i>54,430,801</i>
<i>Total assets</i>	<i>48,877,507</i>	<i>20,959,316</i>	<i>69,836,823</i>
Liabilities			
Accounts payable	605,361	256,460	861,821
Accrued payroll	332,574	46,435	379,009
Customer deposits	0	223,502	223,502
Prepaid rents	0	249	249
Long-term liabilities:			
Due within one year	235,745	566,216	801,961
Due in more than one year	1,156,813	2,905,488	4,062,301
<i>Total liabilities</i>	<i>2,330,493</i>	<i>3,998,350</i>	<i>6,328,843</i>
Net Assets			
Invested in capital assets, net of related debt	36,623,390	13,596,436	50,219,826
Restricted for:			
Debt service	637,812	775,545	1,413,357
Other purposes	2,481,315	208,600	2,689,915
Unrestricted (deficit)	6,804,497	2,380,385	9,184,882
<i>Total net assets</i>	<i>\$46,547,014</i>	<i>\$16,960,966</i>	<i>\$63,507,980</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, 2011

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	\$2,158,561	\$259,125	\$159,893	\$0	(\$1,739,543)	\$0	(\$1,739,543)
Public safety	2,592,583	26,667	241,838	0	(2,324,078)	0	(2,324,078)
Public works	3,010,023	966,174	0	730,331	(1,313,518)	0	(1,313,518)
Health and welfare	921,404	27,615	855,561	17,952	(20,276)	0	(20,276)
Cultural and recreational	1,053,367	36,358	20,685	0	(996,324)	0	(996,324)
Interest and fees on long-term debt	51,184	0	0	0	(51,184)	0	(51,184)
Total governmental activities	9,787,122	1,315,939	1,277,977	748,283	(6,444,923)	0	(6,444,923)
Business-Type Activities:							
Water	2,242,977	2,099,866	0	0	0	744,856	744,856
Sewer	2,036,769	1,842,294	0	0	0	0	0
Refuse	650,402	1,732,844	0	0	0	0	0
Golf	829,114	303,254	0	0	0	(525,860)	(525,860)
Rental	158,092	71,797	15,648	0	0	(70,647)	(70,647)
Total business-type activities	5,917,354	6,050,055	15,648	0	0	148,349	148,349
Total primary government	\$15,704,476	\$7,365,994	\$1,293,625	\$748,283	(\$6,444,923)	\$148,349	(\$6,296,574)

General Revenues

Taxes:			
Gross receipts/state shared	\$7,015,146	\$0	\$7,015,146
Property	678,597	0	678,597
Lodgers' tax	417,248	0	417,248
Franchise tax	310,988	0	310,988
Investment income	23,547	8,264	31,811
Other	111,775	5	111,780
Loss on asset disposals	0	(440)	(440)
Operating transfers, net	47,360	(47,360)	0
Capital transfers, net	(706,382)	706,382	0
Total general revenues and transfers	7,898,279	666,851	8,565,130
Change in net assets	1,453,356	815,200	2,268,556
Net assets (deficit), beginning of year	45,093,658	16,145,766	61,239,424
Net assets (deficit), end of year	\$46,547,014	\$16,960,966	\$63,507,980

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

CITY OF GRANTS
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2011

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
ASSETS				
Pooled cash and investments	\$6,413,747	\$435,380	\$2,603,956	\$9,453,083
Cash held with trustee	0	0	506,052	506,052
Accounts receivable, net allowance	1,109,854	0	60,285	1,170,139
Grant revenue receivable	0	63,996	61,891	125,887
Due from other funds	4,500	0	0	4,500
Total assets	\$7,528,101	\$499,376	\$3,232,184	\$11,259,661
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$32,262	\$506,287	\$66,812	\$605,361
Accrued payroll	317,505	0	15,069	332,574
Due to other funds	0	0	31,176	31,176
Total liabilities	349,767	506,287	113,057	969,111
Fund Balances:				
Restricted	0	0	2,438,938	2,438,938
Committed	177,269	0	0	177,269
Assigned	0	0	680,189	680,189
Unassigned	7,001,065	(6,911)	0	6,994,154
Total fund balance	7,178,334	(6,911)	3,119,127	10,290,550
Total liabilities and fund balance	\$7,528,101	\$499,376	\$3,232,184	\$11,259,661

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

CITY OF GRANTS
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET ASSETS
JUNE 30, 2011

FUND BALANCE of Governmental Funds	\$10,290,550
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.	37,639,686
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(1,392,558)
Bond issuance costs are capitalized and amortized and therefore, are not expensed (\$46,696 capitalized and \$37,360 amortized).	9,336
<hr/> <i>Net assets of governmental activities</i>	<hr/> \$46,547,014

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

CITY OF GRANTS
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Major Funds			Total Governmental Funds
	General Fund	General Government Improvements	Nonmajor Governmental Funds	
REVENUES				
Intergovernmental revenue	\$232,743	\$610,331	\$1,180,626	\$2,023,700
Property tax	678,597	0	0	678,597
State shared taxes and municipal taxes	6,891,024	0	124,122	7,015,146
Lodgers' tax	0	0	417,248	417,248
Licenses and permits	77,986	0	0	77,986
Fines	21,510	0	0	21,510
Franchise tax	310,988	0	0	310,988
Fees, service charges, and rental revenue	1,142,107	16,843	57,493	1,216,443
Investment income	17,057	0	6,490	23,547
Sale of property	17,220	0	11,480	28,700
Donations	1,390	0	1,170	2,560
Miscellaneous	72,404	0	10,671	83,075
<i>Total revenues</i>	<i>9,463,026</i>	<i>627,174</i>	<i>1,809,300</i>	<i>11,899,500</i>
EXPENDITURES				
Current:				
General government	1,009,594	0	73,878	1,083,472
Public safety	2,281,598	0	186,814	2,468,412
Public works	2,324,206	0	613,064	2,937,270
Health and welfare	0	0	819,964	819,964
Cultural and recreational	725,951	0	327,500	1,053,451
Capital outlay	37,198	1,529,453	49,541	1,616,192
Debt Service:				
Principal	0	0	220,898	220,898
Interest and other charges	0	0	37,205	37,205
Fees	0	0	9,309	9,309
<i>Total expenditures</i>	<i>6,378,547</i>	<i>1,529,453</i>	<i>2,338,173</i>	<i>10,246,173</i>
<i>Revenues over (under) expenditures</i>	<i>3,084,479</i>	<i>(902,279)</i>	<i>(528,873)</i>	<i>1,653,327</i>
Other Financing Sources (Uses):				
Transfers in	199,384	850,000	1,621,924	2,671,308
Transfers out	(2,045,781)	0	(578,167)	(2,623,948)
Capital transfer out	0	(706,382)	0	(706,382)
<i>Total other financing sources (uses)</i>	<i>(1,846,397)</i>	<i>143,618</i>	<i>1,043,757</i>	<i>(659,022)</i>
<i>Net changes in fund balances</i>	<i>1,238,082</i>	<i>(758,661)</i>	<i>514,884</i>	<i>994,305</i>
FUND BALANCE				
Fund balance, beginning of year	5,940,252	751,750	2,604,243	9,296,245
<i>Fund balance, end of year</i>	<i>\$7,178,334</i>	<i>(\$6,911)</i>	<i>\$3,119,127</i>	<i>\$10,290,550</i>

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, 2011

Net change in fund balances - Governmental Funds	\$994,305
 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 (\$1,549,592) exceeded depreciation (\$1,222,404).	327,188
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 (\$220,898).	220,898
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.	(84,365)
Bond issuance costs are amortized.	(4,670)
<i>Change in net assets of governmental activities</i>	\$1,453,356

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, 2011**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$626,327	\$626,327	\$651,581	\$25,254
State shared taxes and municipal taxes	4,782,169	4,782,169	7,020,227	2,238,058
Franchise fees	293,000	293,000	325,575	32,575
Fine and forfeits	8,000	8,000	21,510	13,510
Licenses and permits	19,500	19,500	77,986	58,486
Intergovernmental revenue	198,534	198,534	232,743	34,209
Fees and service charges	1,080,000	1,080,000	1,142,107	62,107
Donations	500	500	1,390	890
Investment income	15,000	15,000	16,349	1,349
Sale of property	17,000	17,000	17,220	220
Other revenue	6,000	6,000	72,229	66,229
<i>Total revenues</i>	<u>7,046,030</u>	<u>7,046,030</u>	<u>9,578,917</u>	<u>2,532,887</u>
EXPENDITURES				
Current:				
General government	1,127,550	1,177,550	1,042,181	135,369
Public safety	2,917,377	2,917,377	2,283,239	634,138
Public works	1,727,854	1,727,854	2,367,389	(639,535)
Cultural and recreational	670,873	670,873	729,123	(58,250)
Health and welfare	0	0	0	0
Capital outlay	8,500	8,500	37,198	(28,698)
<i>Total expenditures</i>	<u>6,452,154</u>	<u>6,502,154</u>	<u>6,459,130</u>	<u>43,024</u>
<i>Excess (deficiency) of revenues over expenditures</i>	593,876	543,876	3,119,787	2,575,911
Other Financing Sources (Uses):				
Operating transfers in	178,885	199,384	199,384	0
Operating transfers (out)	(1,790,559)	(2,045,784)	(2,045,781)	3
<i>Total other financing sources (uses)</i>	<u>(1,611,674)</u>	<u>(1,846,400)</u>	<u>(1,846,397)</u>	<u>3</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>(1,017,798)</u>	<u>(1,302,524)</u>	<u>\$1,273,390</u>	<u>\$2,575,914</u>
Budgeted cash carryover	<u>1,017,798</u>	<u>1,302,524</u>		
	<u>\$0</u>	<u>\$0</u>		
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)			\$1,273,390	
Adjustments for revenue accruals, transfers, earnings on investments			(115,891)	
Adjustments for expenditures for payables, inventory, other expenditure accruals			80,583	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)			<u>\$1,238,082</u>	

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

CITY OF GRANTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS
JUNE 30, 2011

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$96,885	\$2,183,373	\$54,640	\$2,334,898
Cash held with trustee	0	0	0	0
Investments	0	0	0	0
Accounts receivable - other	281	0	0	281
Accounts receivable, water and sewer (net of allowance)	0	534,408	0	534,408
Interest receivable	0	0	0	0
Inventory	0	68,691	0	68,691
Due from other funds	0	0	26,676	26,676
<i>Total current assets</i>	97,166	2,786,472	81,316	2,964,954
Non-Current Assets				
Restricted Assets:				
Cash - SBF - Construction	0	208,438	0	208,438
Cash - debt reserves	0	775,545	0	775,545
Cash - customer deposits	0	219,264	0	219,264
<i>Total restricted assets</i>	0	1,203,247	0	1,203,247
Capital Assets:				
Capital assets - not depreciated	0	2,737,869	46,724	2,784,593
Capital assets - depreciated	2,221,956	31,229,963	1,147,468	34,599,387
Less accumulated depreciation	(1,008,927)	(18,977,364)	(606,574)	(20,592,865)
<i>Net capital assets</i>	1,213,029	14,990,468	587,618	16,791,115
<i>Total assets</i>	1,310,195	18,980,187	668,934	20,959,316
LIABILITIES				
Current Liabilities:				
Accounts payable	44,153	206,225	6,082	256,460
Accrued payroll	21,509	19,900	5,026	46,435
Tenant security deposits/utility deposits	0	219,102	4,400	223,502
Prepaid rents	0	0	249	249
Due to other funds	0	0	0	0
Current portion of long-term debt/lease payable	73,300	492,916	0	566,216
<i>Total current liabilities</i>	138,962	938,143	15,757	1,092,862
Non-Current Liabilities:				
Long-term debt	0	2,625,495	0	2,625,495
Compensated absences	33,464	30,839	4,284	68,587
Leases payable	211,406	0	0	211,406
<i>Total noncurrent liabilities</i>	244,870	2,656,334	4,284	2,905,488
<i>Total liabilities</i>	383,832	3,594,477	20,041	3,998,350
Net Assets:				
Invested in capital assets, net of related debt	928,323	12,080,495	587,618	13,596,436
Restricted for construction	0	208,438	0	208,438
Restricted for debt service	0	775,545	0	775,545
Restricted for customer deposits	0	162	0	162
Unrestricted	(1,960)	2,321,070	61,275	2,380,385
<i>Total net assets</i>	\$926,363	\$15,385,710	\$648,893	\$16,960,966

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, 2011

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
OPERATING REVENUES				
Water, sewer and refuse sales	\$0	\$5,675,004	\$0	\$5,675,004
Golf fees	298,385	0	0	298,385
Rental income	4,869	0	71,797	76,666
<i>Total operating revenues</i>	<u>303,254</u>	<u>5,675,004</u>	<u>71,797</u>	<u>6,050,055</u>
OPERATING EXPENSES				
Operating expenses	651,707	4,207,886	124,166	4,983,759
Depreciation	157,310	649,782	33,926	841,018
<i>Total operating expenses</i>	<u>809,017</u>	<u>4,857,668</u>	<u>158,092</u>	<u>5,824,777</u>
<i>Net income (loss) from operations</i>	(505,763)	817,336	(86,295)	225,278
NON-OPERATING REVENUES (EXPENSES)				
Federal grants and subsidies	0	0	15,648	15,648
Interest earnings	0	8,165	99	8,264
Interest expense	(20,097)	(71,505)	0	(91,602)
Other miscellaneous income (expense)	0	0	5	5
Loss on asset disposals	0	0	(440)	(440)
Other debt expense	0	(975)	0	(975)
<i>Total non-operating revenues (expenses)</i>	<u>(20,097)</u>	<u>(64,315)</u>	<u>15,312</u>	<u>(69,100)</u>
<i>Net income (loss) before contributions and transfers</i>	(525,860)	753,021	(70,983)	156,178
Operating transfers in	398,000	1,065,459	21,583	1,485,042
Operating transfers (out)	0	(1,518,874)	(13,528)	(1,532,402)
Capital transfers in	0	755,333	112	755,445
Capital transfers (out)	0	(48,951)	(112)	(49,063)
<i>Change in net assets</i>	(127,860)	1,005,988	(62,928)	815,200
Total fund net assets, at beginning of year	1,054,223	14,379,722	711,821	16,145,766
<i>Total fund net assets, at end of year</i>	<u>\$926,363</u>	<u>\$15,385,710</u>	<u>\$648,893</u>	<u>\$16,960,966</u>

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, 2011

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers (including other funds)	\$304,104	\$5,666,030	\$95,454	\$6,065,588
Cash paid to suppliers	(285,076)	(3,826,404)	(290,459)	(4,401,939)
Cash paid to employees	(320,773)	(378,669)	(637)	(700,079)
<i>Net cash provided (used) by operating activities</i>	(301,745)	1,460,957	(195,642)	963,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants and subsidies	0	0	15,648	15,648
Advances (to) from other funds	0	0	(32,939)	(32,939)
Transfers in (out)	398,000	(453,415)	8,055	(47,360)
Non tenant income	0	0	5	5
<i>Net cash provided (used) by noncapital financing activities</i>	398,000	(453,415)	(9,231)	(64,646)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	0	(48,951)	(3,499)	(52,450)
Disposition of assets	0	0	491	491
Long-term debt proceeds	0	208,438	0	208,438
Loss on asset disposal	0	0	(440)	(440)
Principal paid: revenue bonds/lease purchase/advances	(69,222)	(473,804)	0	(543,026)
Interest paid: revenue bonds/lease purchase/advances	(20,097)	(71,505)	0	(91,602)
Other income	0	0	0	0
Other debt expense	0	(975)	0	(975)
<i>Net cash provided (used) by capital and related financing activities</i>	(89,319)	(386,797)	(3,448)	(479,564)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	0	8,165	463	8,628
<i>Net cash provided (used) by investing activities</i>	0	8,165	463	8,628
<i>Net increase (decrease) in pooled cash</i>	6,936	628,910	(207,858)	427,988
Pooled cash and investments, beginning of year	89,949	2,757,710	262,498	3,110,157
<i>Pooled cash and investments, end of year</i>	\$96,885	\$3,386,620	\$54,640	\$3,538,145
Cash and cash equivalents	\$96,885	\$2,183,373	\$54,640	\$2,334,898
Cash held with trustee	0	0	0	0
Restricted cash	0	1,203,247	0	1,203,247
Total cash	\$96,885	\$3,386,620	\$54,640	\$3,538,145
Non Cash Transactions:				
Capital assets transferred in	\$0	\$706,382	\$0	\$706,382

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, 2011

	Golf Course	Utilities	Nonmajor Proprietary Funds	Total
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	(\$505,763)	\$817,336	(\$86,295)	\$225,278
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	157,310	649,782	33,926	841,018
Provision for uncollectible accounts	0	(1,817)	0	(1,817)
Change in assets and liabilities:				
(Increase) Decrease in assets:				
Accounts receivable	850	(7,157)	2,708	(3,599)
Due from/(to) other funds	0	0	20,949	20,949
Inventories	0	2,660	0	2,660
Prepays	0	0	0	0
Increase (Decrease) in liabilities:				
Accounts and contracts payable	41,505	(5,889)	(169,521)	(133,905)
Wages payable	2,419	(203)	2,621	4,837
Compensated absences	1,934	(710)	(105)	1,119
Tenant deposits/utility deposits	0	6,955	(161)	6,794
Tenants prepaid rent	0	0	236	236
Total adjustments	204,018	643,621	(109,347)	738,292
Net cash provided (used) by operating activities	(\$301,745)	\$1,460,957	(\$195,642)	\$963,570

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, 2011

	<u>Agency Funds</u>
ASSETS	
Cash, certificates of deposits and investments	\$24,558
<i>Total assets</i>	<i>\$24,558</i>
LIABILITIES	
Due to others	\$24,558
<i>Total liabilities</i>	<i>\$24,558</i>

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

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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.

Enterprise – Golf Course Fund – accounts for the operation of the municipal golf course.

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, 2011

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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, 2011 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, 2011.

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, 2011 with the exception of certain receivables from utility services provided to customers. Accordingly, a \$74,896 allowance for doubtful accounts has been recorded in the Joint Utility Enterprise Fund.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 non-residential 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 2011 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
General Operating	.0065	.0065

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, 2011

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, 2011, the liability for accrued compensated absences is \$444,849. The amount applicable to the Enterprise Funds Utility is \$30,839; Golf Course is \$33,464, and Nonmajor Proprietary Funds of \$4,284. The amount applicable to Government Activities is \$376,262. 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.

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.”

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 consisted of the following:

	CASH		Account Type
	Reconciled Balance	On Deposit June 30, 2011	
Petty Cash – Cibola Senior Center	\$66		
Petty Cash – General Operating	1,840		
Petty Cash – Utilities Operating	500		
Petty Cash – Water Meter Deposits	200		
Petty Cash – Appearance Bonds	500		
Grants State Bank	3,460,865	\$3,753,228	Checking
Wells Fargo Bank Government Imp.	435,380	435,380	Checking
Wells Fargo Bank Payroll	0	6,090	Checking
First Community Bank Housing Authority – Vouchers	315,556	311,670	Checking
First Community Bank Housing Authority – Low Rent	54,640	53,636	Checking
First Community Bank Housing Home Program	0	0	Checking
	4,269,547	4,560,004	

Held and Directed by Trustee

Cash – directed by the New Mexico Finance Authority.

Debt service account	\$117,227
Debt service account	124
Debt service account	174,949
Debt service account	83,997
Debt reserve account	64,230
Debt reserve account	149,522
Debt reserve account	106,016
Project account – Water Trust Board	40,000
Project account – Water Trust Board	168,438
	\$904,503

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments

	Cost	Market	Percent of Investment Portfolio
Grant State Bank:			
Certificate of Deposit	\$500,000	\$500,000	
Certificate of Deposit	500,000	500,000	
Certificate of Deposit	400,000	400,000	
Certificate of Deposit	400,000	400,000	
Certificate of Deposit	500,000	500,000	
	2,300,000	2,300,000	27%
State Treasurer:			
Pool – Reserve Contingency Fund	14,747	12,535	
Pool – LGIP Fund	6,035,253	6,035,253	
<i>Total Pool</i>	6,050,000	6,047,788	73%
<i>Total Investments</i>	8,350,000	8,347,788	100%
<i>Total Cash and Investments</i>	\$13,524,050	\$13,521,838	

Governmental Activities	\$9,959,135
Business-Type Activities	2,334,898
Business-Type Activities Restricted	1,203,247
Fiduciary Funds	24,558
	\$13,521,838

Investment Type	Cost Basis	Market Value	Credit Risk- Rating	Weighted Average Maturity Days
State Investment Pool** - LGIP	\$6,035,253	\$6,035,253	AAAm	36
State Investment Pool – Reserve Contingency Fund	14,747	12,535		♦
CD's	2,300,000	2,300,000	NR	90
	8,350,000	8,347,788		
<i>Less investments reported as cash equivalents</i>		(8,347,788)		
		\$0		

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

** 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.

◆ The Reserve Contingency Fund was established from the State Investment Pool LGIP's remaining position in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset and, as such, a WAM cannot be calculated. The remaining balance of the fund has been written down to 85% based on the estimated recoverable amount.

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, 2011

NOTE 3. PLEDGED COLLATERAL

	First Community Bank	Grants State Bank	Wells Fargo
Cash in bank, per June 30, 2011 (Note 2)	\$365,306	\$3,753,228	\$441,470
Certificates of deposit (Note 2)	0	2,300,000	0
Less: FDIC coverage	(250,000)	(500,000)	(250,000)
Temporary Liquidity Guarantee ❖	(115,306)	(3,503,228)	(191,470)
Uninsured public funds	0	2,050,000	0
100% collateral requirement	0	0	0
50% collateral requirements	0	1,025,000	0
Pledged securities	0	5,911,015	0
Over (under) Collateralized	\$0	\$4,886,015	\$0

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

❖ All non interest bearing accounts (demand deposits and NOW accounts with an interest rate equal to or less than .25%) are guaranteed, in addition to the \$250,000 insurance coverage on demand deposits, through the Temporary Liquidity Guarantee Program.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. PLEDGED COLLATERAL (CONTINUED)

<u>Grants State Bank</u>			<u>Par Value</u>
Belen Call Fr	077581KT2	08/01/2011	\$199,986
Gallup McKinley Cnty NMSD Non-Call Bond	364010NZ7	08/01/2012	301,824
Dulce ISD Non-Call Fr, Bond	264430FH7	07/11/2011	100,000
Dulce ISD Non-Call Fr, Bond	264430JA8	05/01/2012	135,090
Dulce ISD Non-Call Fr, Bond	264430GJ2	05/01/2015	299,265
Dulce NM ISD GO Bond	264430HV4	05/01/2012	65,043
Catron & Cibola County's Non-Callable, Bond	149321BN0	07/15/2012	111,339
Clovis Community College Call, Bond	18934NAM4	06/01/2013	110,000
Chama SD Non-Call, Bond	157670CR9	08/01/2016	261,155
Cobre Consol, SD No.2 Non-Call FR, Bond	19105RAC8	08/01/2011	200,107
Grants & Cibola County's NMSch Dist., Bond	388240DX8	11/15/2013	124,910
Alamogordo Wtr/Swr NC FR Bond	011500FS9	06/01/2013	120,786
Chaves County Non-Call Bond	162634BG3	08/01/2012	200,000
Bernalillo Muni SD Non-Call Fr, Bond	085279LR6	08/01/2011	99,996
Bernalillo Muni SD Call Fr, Bond	085279LU9	08/01/2014	99,639
Bernalillo NM MSD I, Bond	085279N49	08/01/2020	249,047
Grant County Non-Call FR	387766BC1	09/01/2015	288,738
Grants & Cibola County SD Non-Call	388240EJ8	11/15/2017	202,211
Grants & Cibola County SD NC Fr	388240CH4	10/01/2011	124,923
Grants & Cibola County SD NC Fr	388240CJ0	10/01/2012	125,314
Grants & Cibola County SD NC Fr	388240CK7	10/01/2013	125,843
Grants & Cibola County SD NONC	388240DW0	11/15/2012	126,127
Las Vegas ISD Non-Call Fr, Bond	51778FCC1	01/15/2015	176,724
Las Vegas NM City Sch Dist BQ	51778FCF4	07/15/2015	249,291
Lea Cnty NM Pub Sch Dist. BQ NC	521513AD3	07/15/2014	201,447
Los Lunas SD Call Fr.	545562KZ2	07/15/2015	99,933
Pojoaque VY PUB SCH DIST NMBQ NONC	73085PAN9	08/01/2013	202,626
Ruidoso ISD NONC FR	781338GC6	08/01/2011	200,086
Torrance Etc Cnty SD NC Fr	891400KV4	07/15/2011	119,967
Torrance Etc Cnty NM MUN	891400KW2	07/15/2012	124,295
Torrance Etc Cnty MSD Non-Call Fr	891400LU5	07/15/2012	100,084
Roosevelt County NONC Fr	776461AF2	06/01/2012	135,486
Roswell NM Gross Receipts Tax	77854PAE9	06/01/2013	325,892
Taos NM Gross Receipts BQ Call	87601RAL4	06/01/2023	303,841
Total Pledged			\$5,911,015

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

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, \$2,050,000 of the government's bank balances of \$6,860,004 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized held by a member bank other than the depositing bank.	\$0
Uninsured and collateralized held by a member bank other than the depositing bank.	2,050,000
	\$2,050,000

NOTE 4. CAPITAL ASSETS

Capital asset activity for the City's primary government for the year ended June 30, 2011 was as follows:

	Balance 06/30/2010	Additions	Deletions	Transfers	Balance 06/30/2011
Governmental Activities:					
Capital Assets:					
Non-Depreciable:					
Art	\$122,897	\$0	\$0	\$0	\$122,897
Land	3,412,322	0	0	\$0	3,412,322
Construction in process	1,595,769	1,866,872	0	(1,859,632)	1,603,009
Depreciable:					
Buildings	11,944,475	16,730	0	0	11,961,205
Land improvements	5,461,916	20,694	0	103,706	5,586,316
Machinery and equipment	5,868,637	301,460	0	(108,005)	6,062,092
Infrastructure	20,861,591	50,218	0	1,157,549	22,069,358
<i>Total</i>	49,267,607	2,255,974	0	(706,382)	50,817,199
Less Accumulated Depreciation:					
Buildings	3,158,315	(285,517)	0	0	(3,443,832)
Land improvements	1,019,520	(143,887)	0	0	(1,163,407)
Machinery and equipment	4,122,331	(372,808)	0	0	(4,495,139)
Infrastructure	3,654,943	(420,192)	0	0	(4,075,135)
<i>Total accumulated depreciation</i>	(11,955,109)	(1,222,404)	0	0	(13,177,513)
<i>Net capital assets</i>	\$37,312,498	\$1,033,570	\$0	(\$706,382)	\$37,639,686

Depreciation expense for governmental activities is \$1,222,404 for the year.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Balance 06/30/2010	Additions	Deletions	Transfers	Balance 06/30/2011
Business-Type Activities:					
Capital Assets:					
Non-Depreciable:					
Land	\$2,279,374	\$0	\$0	\$0	\$2,279,374
Construction in process	22,903	0	0	356,704	379,607
Water rights	125,612	0	0	0	125,612
Depreciable:					
Buildings	2,057,499	3,000	(900)	0	2,059,599
Land improvements	4,048,829	0	0	14,222	4,063,051
Machinery and equipment	2,959,149	499	(4,700)	144,253	3,099,201
Infrastructure	25,137,382	48,951	0	191,203	25,377,536
<i>Total</i>	<u>36,630,748</u>	<u>52,450</u>	<u>(5,600)</u>	<u>706,382</u>	<u>37,383,980</u>
Less Accumulated Depreciation:					
Buildings	(845,233)	(51,523)	410	0	(896,346)
Land improvements	(280,994)	(128,374)	0	0	(409,368)
Machinery and equipment	(1,737,531)	(296,034)	4,700	0	(2,028,865)
Infrastructure	(16,893,199)	(365,087)	0	0	(17,258,286)
<i>Total accumulated depreciation</i>	<u>(19,756,957)</u>	<u>(841,018)</u>	<u>5,110</u>	<u>0</u>	<u>(20,592,865)</u>
<i>Net capital assets</i>	<u>\$16,873,791</u>	<u>(\$788,568)</u>	<u>(\$490)</u>	<u>\$706,382</u>	<u>\$16,791,115</u>

Loss on asset disposal (490)

Depreciation expense for business-type activities is \$841,018 for the year.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business-Type Activities
General Government	\$1,012,757	\$0
Public Safety	114,084	0
Health and Welfare	95,563	0
Water	0	311,230
Sewer	0	338,552
Golf	0	157,310
Housing	0	33,926
<i>Total</i>	<u>\$1,222,404</u>	<u>\$841,018</u>

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. CHANGES IN LONG-TERM DEBT

The following summarized the changes in the long-term debt for government activities during 2011:

	Balance 06/30/2010	Additions	Deletions/ Transfers	Balance 06/30/2011	Amount Due Within One Year
Bond payable	\$555,000	\$0	\$130,000	\$425,000	\$140,000
Notes payable	479,194	0	44,350	484,844	44,481
NMFA – fire truck	203,000	0	46,548	156,452	51,264
Accrued compensated absences	291,897	276,914	192,549	376,262	0
Totals	\$1,529,091	\$276,914	\$413,447	\$1,392,558	\$235,745

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:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$140,000	\$10,670	\$150,670
2013	140,000	6,596	146,596
2014	145,000	2,255	147,255
Totals	\$425,000	\$19,521	\$44,521

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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>
2012	\$44,481	\$20,858	\$65,339
2013	49,615	18,835	68,450
2014	49,754	16,526	66,280
2015	49,896	14,176	64,072
2016	55,043	11,801	66,844
2017 - 2020	186,055	18,598	204,653
<i>Totals</i>	\$434,844	\$100,794	\$535,638

Purpose: Purchase of Fire Truck
Date of Issue: July 10, 2009
Original Issue: \$203,000
Principal: May 1
Interest: November 1 and May 1
Rate: 1.32% - 2.45%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$51,264	\$3,153	\$54,417
2013	52,073	2,343	54,416
2014	53,115	1,301	54,416
<i>Totals</i>	\$156,452	\$6,797	\$163,249

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

The annual principal payment requirements for debt outstanding as of June 30, 2011, in governmental activities, are summarized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>
2012	\$235,745
2013	241,688
2014	247,869
2015	49,896
2016	55,043
2017 – 2020	562,267
	\$1,392,508

The following summarizes the changes in the Business-Type Activities Long-Term Debt during 2011:

	<u>Balance 06/30/2010</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 06/30/2011</u>	<u>Amount Due Within One Year</u>
Bonds payable	\$390,000	\$0	\$125,000	\$265,000	\$125,000
Notes payable	2,993,777	208,438	348,804	2,853,411	367,916
Leases payable	353,928	0	69,222	284,706	73,300
Accrued compensated absences	67,468	54,194	53,075	68,587	0
Totals	\$3,805,173	\$262,632	\$596,101	\$3,471,704	\$566,216

Bonds outstanding reported in the Proprietary Fund at June 30, 2011, 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>
2012	\$125,000	\$8,079	\$133,079
2013	140,000	4,354	144,354
Totals	\$265,000	\$12,433	\$277,433

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Notes outstanding reported in the Proprietary Fund at June 30, 2011, 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>
2012	\$355,781	\$52,899	\$408,680
2013	362,896	45,784	408,680
2014	370,154	38,526	408,680
2015	377,557	31,123	408,680
2016	385,108	23,572	408,680
2017 – 2019	793,477	23,883	817,360
Totals	\$2,644,973	\$215,787	\$2,860,760

New Mexico Finance Authority – 194 WTB

Purpose: Construction of water system improvements along Nimitz Drive.
 Original Issue: \$168,438
 Principal: June 1
 Interest: December 1 and June 1
 Rates Zero plus .25% administrative fee

Amortized as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$8,224	\$419	\$8,643
2013	8,244	401	8,645
2014	8,265	380	8,645
2015	8,285	359	8,644
2016	8,306	339	8,645
2017 – 2021	41,845	1,380	43,225
2022 – 2026	42,370	855	43,225
2027 – 2031	42,899	322	43,221
Totals	\$168,438	\$4,455	\$172,893

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

New Mexico Finance Authority – 152 WTB

Purpose: Construction of water system improvements – First Street, Second Street, and Roosevelt Street.
 Original Issue: \$40,000
 Principal: June 1
 Interest: December 1 and June 1
 Rates: Zero plus .25% administrative fee

Amortized as follows:

<u>Fiscal year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$3,911	\$95	\$4,006
2013	1,963	90	2,053
2014	1,968	85	2,053
2015	1,973	80	2,053
2016	1,977	75	2,052
2017 – 2021	9,960	303	10,263
2022 – 2026	10,085	178	10,263
2027 – 2031	8,163	51	8,214
<i>Totals</i>	\$40,000	\$957	\$40,957

Bank of the West - Lease

Purpose: To Purchase Golf Carts
 Original Issue: \$234,842
 Principal: Monthly
 Interest: Monthly
 Rate: 5.75%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$38,021	\$8,538	\$46,559
2013	40,266	6,293	46,559
2014	42,644	3,915	46,559
2015	44,786	214	45,000
<i>Totals</i>	\$165,717	\$18,960	\$184,677

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Grants State Bank - Lease

Purpose: To Purchase Golf Course Equipment
 Original Issue: \$178,151
 Principal: Monthly
 Interest: Monthly
 Rate: 5.723%

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$35,279	\$5,894	\$41,173
2013	37,352	3,821	41,173
2014	39,546	1,627	41,173
2015	6,813	48	6,861
<i>Totals</i>	\$118,990	\$11,390	\$130,380

The following summarizes the combined aggregate maturities for long-term borrowing in the Proprietary Fund for the next five years following June 30, 2011:

<u>June 30,</u>	<u>Principal Payment</u>
2012	\$566,215
2013	590,721
2014	462,577
2015	439,414
2016	395,391
2017 – 2019	1,017,386
<i>Total</i>	\$3,471,704

Lease Purchase Contracts

At June 30, 2011 the City had machinery and equipment capitalized under purchase agreements, as follows:

Machinery and equipment	\$513,444
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Of the total interest cost incurred on long-term debt of \$142,786 none was capitalized at June 30, 2011.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6. INTERFUND TRANSACTIONS

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.

<u>Interfund Transfers In (Out)</u>	Transfers Out				
	General Fund	Nonmajor Governmental Funds	Utilities	Nonmajor Proprietary Funds	Totals
Transfers In:					
General fund	\$199,384	\$0	\$0	\$0	\$199,384
General governmental improvements	650,000	0	200,000	0	850,000
Nonmajor governmental funds	1,051,812	570,112	0	0	1,621,924
Utilities	144,585	0	920,874	0	1,065,459
Golf course	0	0	398,000	0	398,000
Nonmajor proprietary funds	0	8,055	0	13,528	21,583
Totals	\$2,045,781	\$578,167	\$1,518,874	\$13,528	\$4,156,350

<u>Capital Transfers In (Out)</u>	Transfers Out			
	General Government Improvements	Utilities	Nonmajor Proprietary Funds	Totals
Transfers In:				
Utilities	\$706,382	\$48,951	\$0	\$755,333
Nonmajor proprietary funds	0	0	112	112
Totals	\$706,382	\$48,951	\$112	\$755,445

<u>Due From (to) Other Funds</u>	Due To	
	Nonmajor Governmental Funds	Totals
Due From:		
General fund	\$4,500	\$4,500
Nonmajor proprietary funds	26,676	26,676
Totals	\$31,176	\$31,176

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7. 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 for the plan. 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% for police employees, 17.5% for fire employees, and 9.15% for other employees of the gross salaries. 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, 2011, 2010 and 2009 respectively were \$335,418, \$319,154, and \$295,533, which equal the amount of the required contributions for each fiscal year.

NOTE 8. POST EMPLOYMENT BENEFITS

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

NOTE 9. 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, 2011

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	\$1,848,329
	Low Rent	\$65,559
	Golf Course	(\$41,796)
2.	Excess of Expenditures Over Appropriations:	
	Low Rent – Enterprise Fund	(\$11,373)
3.	Deficit Fund Balance:	
	General Government Improvements	(\$6,911)
	(To be refunded with general fund transfers and subsequent year revenue.)	

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	09/30/2010 09/30/2011	\$10,000 each on Cashiers, Mayor, Pro-Tem Mayor, Project Assistant
Western Surety	Employee Theft/ Dishonesty	07/01/2010 06/30/2011	\$10,000 each incident \$20,000 aggregate all employees
Western Surety	Municipal Judge Bond	08/24/2010 08/24/2011	City Manager - \$50,000 Municipal Judge - \$50,000
National Union	Airport	07/01/2010 06/30/2011	\$10,000 each incident

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12. FUND BALANCE CLASSIFICATIONS

The City has defined fund balance classifications for governmental funds as follows:

Nonspendable Fund Balance – includes amounts that by their nature are not expendable such as inventories, prepaids and long-term notes receivable.

Restricted Fund Balance – includes amounts that have constraints placed on their use which are:

externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

OR

imposed by law through constitutional provisions or enabling legislation.

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the City’s Council. These committed amounts cannot be used for any other purposes unless the government removes or changes the specified use by resolution (the same type of action taken to commit the funds).

Assigned Fund Balance – includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Council, a finance or budget committee, or the City Manager to which the Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – includes amounts in the General Fund that have not been classified in any other fund balance category noted above.

Hierarchy of Application of Expenditures

The City will apply restricted resources first when an expenditure is incurred for which both restricted and unrestricted fund balance or net assets is available.

The City will apply committed resources first, then assigned, then unassigned when an expenditure is incurred for which amounts in any of these unrestricted fund balance classifications could be used.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12. FUND BALANCE CLASSIFICATIONS (CONTINUED)

The classification of governmental fund balances are as follows:

	General Fund	Major Special Revenue Fund – Road	Other Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$0	\$0	\$0	\$0
Restricted for:				
Cemetery care	0	0	108,703	108,703
Health and social services	0	0	18,261	18,261
Streets and parks	0	0	934,183	934,183
Housing	0	0	399,745	399,745
Fire protection	0	0	73,840	73,840
Library	0	0	18,075	18,075
Law enforcement and corrections	0	0	72,934	72,934
Recreation and promotion	0	0	175,385	175,385
Debt service	0	0	637,812	637,812
Committed To:				
Judgements/settlements	177,269	0	0	177,269
Assigned To:				
Senior activities	0	0	33,971	33,971
City maintenance/projects	0	0	646,218	646,218
Unassigned	7,001,065	(6,911)	0	6,994,154
Total fund balances	\$7,178,334	(\$6,911)	\$3,119,127	\$10,290,550

NOTE 13. 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 \$425,911 for the year ended June 30, 2011.

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14. OPERATING LEASES

The City of Grants has entered into two thirty-six (36) month operating leases with IBM covering an "AS/400" computer and 2000 LPM Matrix printer and various peripherals calling for monthly payments of \$1,416. The leases were renewed April 1, 2011 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 \$144 and \$275 beginning January 2008.

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 \$405 beginning May 2011.

The City of Grants has entered into a 12 month operating lease with Sunguard Hte, Inc. covering a software lease calling for an annual payment of \$33,558 beginning May 2011.

The City of Grants has entered into a 48 month operating lease with Ricoh covering a copier with monthly payments of \$647 beginning October 2008.

The City of Grants has entered into a 48 month operating lease with Ricoh for a Aficio MP C2050 printer with monthly payments of \$128 beginning July 2010.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$24,962
2013	6,396
2014	6,396
<i>Total</i>	<i>\$37,754</i>

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, 2011

NOTE 15. 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	(\$1,172,097)	\$568,491
Restricted assets	816,501	386,746
Capital assets	7,663,910	7,326,558
<i>Total assets</i>	7,308,314	8,281,795
Liabilities:		
Current liabilities	571,694	300,003
Noncurrent liabilities	1,423,646	1,224,159
<i>Total liabilities</i>	1,995,340	1,524,162
Net Assets:		
Invested in capital assets, net of related debt	6,208,923	5,871,571
Restricted	597,399	386,746
Unrestricted	(1,493,348)	499,316
<i>Total net assets</i>	\$5,312,974	\$6,757,633

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

	Water	Sewer
Water/sewer charges, pledged against bonds	\$2,099,866	\$1,842,294
Depreciation expense	(311,230)	(338,552)
Operating expense	(1,931,747)	(1,698,217)
<i>Operating income</i>	(143,110)	(194,475)
Interest income	3,062	3,062
Interest expense and other debt expense	(36,728)	(35,752)
Operating transfers, net	(151,138)	(151,138)
Capital transfers, net	527,486	178,896
<i>Change in net assets</i>	199,572	(199,407)
Beginning net assets	5,113,403	6,957,040
<i>Ending net assets</i>	\$5,312,974	\$6,757,633

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 15. SEGMENT INFORMATION (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

	Water	Sewer
Net Cash Provided (Used) By:		
Operating activities	\$168,781	\$136,744
Noncapital financing activities	(151,138)	(151,138)
Capital and related financing activities	(65,192)	(321,599)
Investing activities	3,062	3,062
<i>Net increase (decrease)</i>	(44,487)	(332,931)
Beginning cash and cash equivalents	(589,221)	1,113,377
Ending cash and cash equivalents	(\$633,708)	\$780,446
Cash and Cash Equivalents:		
Cash (included in current assets)	(\$1,450,209)	\$393,700
Cash (restricted assets)	816,501	386,746
	(\$633,708)	\$780,446

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 16. COMMITMENTS

The City had outstanding construction contracts at June 30, 2011.

	Contract Amount	Spent to Date	Commitment Remaining	Source of Payment
Ezerplay Inc.				
Park Improvements	\$2,745	\$0	\$2,745	City
Bixby Electric				
Airport Improvements	\$186,175	\$2,051	\$184,124	Federal, State, City
Armstrong Consultants				
Airport Improvements	\$37,756	\$20,237	\$17,519	Federal
Wilson & Company				
Street Improvements	\$142,475	\$141,229	\$1,246	State
Forsgren & Associates				
Wastewater Treatment Plant	\$55,631	\$14,425	\$41,206	City
Wilson & Company				
Water Well	\$52,945	\$29,808	\$23,137	City
Mullen Heller Architecture				
Library Renovation	\$15,160	\$0	\$15,160	State
Wilson & Company				
Sewer Replacement	\$134,028	\$103,010	\$31,018	State
TLC Plumbing				
Sewer Replacement	\$846,753	\$0	\$846,753	State
TLC Plumbing				
Nimitz II	\$945,200	\$246,790	\$698,410	State
Rodgers & Co.				
Water Well	\$342,742	\$0	\$342,742	State/City
Wilson & Company				
Street Improvements	\$22,595	\$10,089	\$12,506	State
Wilson & Company				
Cemetery Expansion	\$83,138	\$42,385	\$40,753	City
Mountain West Golf Scapes				
Skate park	\$175,038	\$36,583	\$138,455	City
Wilson & Company				
Street Improvements	\$224,965	\$150,469	\$74,496	City
Air Pros Heating/Cooling				
Fire Station Improvements	\$72,166	\$0	\$72,166	State
Wilson & Company				
Street Improvements	\$49,126	\$46,114	\$3,012	State
Wilson & Company				
Street Improvements	\$19,980	\$0	\$19,980	City
			<u>\$2,565,428</u>	

CITY OF GRANTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 16. COMMITMENTS (CONTINUED)

The City has entered into a settlement agreement as a result of a number of residents that objected to the issuance of a permit for ground water discharge. The residents complained of high ground water problems at their properties outside the city limits allegedly caused at least in part by the City's operation of the Wastewater Treatment Facility and Coyote de Mal Pais Golf Course. As part of the settlement, the City purchased some homes and began the process of making payments into a settlement fund. All payments required to date have been made. As of June 30, 2011, the City has paid \$568,330 in accordance with the agreement. The City has received insurance proceeds in the amount of \$125,000 to offset these costs. In addition, the City will need to construct a ground water drain and acquire some additional land for that purpose. We are unable to predict the cost of this project because NMED has not approved the ground water drain plans at this time.

NOTE 17. ENABLING LEGISLATION

In 2010/2011, the City of Grants enacted enabling legislation to create a special gross receipts tax. The legislation specified that the proceeds of this tax could be used only to finance street and parks improvements. The City determined that the restriction was legally enforceable. The government-wide statement of net assets prepared by the City for the year ended June 30, 2011, included the following information:

Net assets restricted for:	
Street and parks improvement	\$943,183

SUPPLEMENTARY INFORMATION

CITY OF GRANTS
SPECIAL REVENUE FUNDS
JUNE 30, 2011

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.

Cibola Senior Citizens – To account for state and federal funding for senior programs authorized by federal regulations.

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 as a special revenue fund by city resolution and NMSA 7-1-6,9.

GRT Street & Parks Improvement – To account for gross receipts tax increment specifically earmarked for street and parks improvements authorized by City resolution.

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.

CITY OF GRANTS
SPECIAL REVENUE FUNDS
JUNE 30, 2011

Special Revenue Funds (Continued)

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.

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, 2011

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection	Foster Grandparents
ASSETS					
Cash	\$108,703	\$22,265	\$3,810	\$75,130	\$3,567
Accounts receivable	0	0	0	0	0
Grant revenue receivable	0	24,889	0	0	2,148
Due from other funds	0	0	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$108,703	\$47,154	\$3,810	\$75,130	\$5,715
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$1,290	\$0
Accrued payroll	0	13,183	0	0	694
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	0	0
Total liabilities	0	13,183	0	1,290	694
Fund Balance:					
Restricted	108,703	0	3,810	73,840	5,021
Committed	0	0	0	0	0
Assigned	0	33,971	0	0	0
Total fund balance	108,703	33,971	3,810	73,840	5,021
Total liabilities and fund balance	\$108,703	\$47,154	\$3,810	\$75,130	\$5,715

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

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program	Housing Authority Vouchers	Juvenile Recreation
ASSETS					
Cash	\$646,218	\$934,183	\$0	\$315,556	\$92,138
Accounts receivable	0	0	0	0	0
Grant revenue receivable	0	0	21,907	0	0
Due from other funds	0	0	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$646,218	\$934,183	\$21,907	\$315,556	\$92,138
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$2,234	\$0
Accrued payroll	0	0	0	946	0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	21,907	4,769	0
Total liabilities	0	0	21,907	7,949	0
Fund Balance:					
Restricted	0	934,183	0	307,607	92,138
Committed	0	0	0	0	0
Assigned	646,218	0	0	0	0
Total fund balance	646,218	934,183	0	307,607	92,138
Total liabilities and fund balance	\$646,218	\$934,183	\$21,907	\$315,556	\$92,138

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

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	Law Enforcement Protection	Litter Control and Beautification	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional
ASSETS					
Cash	\$8,869	\$501	\$31,659	\$106,833	\$84,109
Accounts receivable	27,200	0	0	33,085	0
Grant revenue receivable	0	0	0	0	0
Due from other funds	0	0	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$36,069	\$501	\$31,659	\$139,918	\$84,109
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$14,646	\$20,023	\$28,619
Accrued payroll	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	0	0
Total liabilities	0	0	14,646	20,023	28,619
Fund Balance:					
Restricted	36,069	501	17,013	119,895	55,490
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Total fund balance	36,069	501	17,013	119,895	55,490
Total liabilities and fund balance	\$36,069	\$501	\$31,659	\$139,918	\$84,109

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

CITY OF GRANTS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	Senior Companion Program	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
ASSETS					
Cash	\$329	\$399	\$18,075	\$19,852	\$2,472,196
Accounts receivable	0	0	0	0	60,285
Grant revenue receivable	9,508	3,439	0	0	61,891
Due from other funds	0	0	0	0	0
Other deferred charges	0	0	0	0	0
Total assets	\$9,837	\$3,838	\$18,075	\$19,852	\$2,594,372
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$0	\$0	\$0	\$0	\$66,812
Accrued payroll	0	246	0	0	15,069
Deferred revenue	0	0	0	0	0
Due to other funds	3,000	1,500	0	0	31,176
Total liabilities	3,000	1,746	0	0	113,057
Fund Balance:					
Restricted	6,837	2,092	18,075	19,852	1,801,126
Committed	0	0	0	0	0
Assigned	0	0	0	0	680,189
Total fund balance	6,837	2,092	18,075	19,852	2,481,315
Total liabilities and fund balance	\$9,837	\$3,838	\$18,075	\$19,852	\$2,594,372

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, 2011

	Cemetery Perpetual Care	Cibola Senior Citizens	Emergency Medical Services	Fire Protection	Foster Grandparents
REVENUES					
Intergovernmental	\$0	\$294,867	\$13,435	\$158,936	\$66,371
Property tax	0	0	0	0	0
Lodgers' tax	0	0	0	0	0
State shared taxes and municipal taxes	0	0	0	0	0
Fees	0	17,208	0	0	0
Investment income	345	0	0	252	0
Sales of property	11,480	0	0	0	0
Donations	50	0	0	0	0
Miscellaneous	0	95	0	0	0
<i>Total revenues</i>	11,875	312,170	13,435	159,188	66,371
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	0	9,932	80,762	0
Public works	0	0	0	0	0
Health and welfare	6,246	348,215	0	0	66,597
Culture and recreation	0	0	0	0	0
Capital outlay	0	0	0	0	0
<i>Total expenditures</i>	6,246	348,215	9,932	80,762	66,597
<i>Excess (deficiency) of revenues over expenditures</i>	5,629	(36,045)	3,503	78,426	(226)
Other Financing Sources (Uses):					
Operating transfers in	0	50,000	0	0	0
Operating transfers (out)	0	0	0	(53,434)	0
<i>Total other financing sources (uses)</i>	0	50,000	0	(53,434)	0
<i>Net changes in fund balances</i>	5,629	13,955	3,503	24,992	(226)
Fund balance, beginning of year	103,074	20,016	307	48,848	5,247
<i>Fund balance (deficit), end of year</i>	\$108,703	\$33,971	\$3,810	\$73,840	\$5,021

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, 2011

	Gasoline Road Tax	GRT Street & Parks Improvement	Housing Authority Capital Funds Program	Housing Authority Vouchers	Juvenile Recreation
REVENUES					
Intergovernmental	\$120,000	\$0	\$17,952	\$366,408	\$0
Property tax	0	0	0	0	0
Lodgers' tax	0	0	0	0	0
State shared taxes and municipal taxes	123,356	0	0	0	766
Fees	0	0	0	0	0
Investment income	2,501	1,741	0	262	306
Sales of property	0	0	0	0	0
Donations	0	0	0	0	0
Miscellaneous	10,000	0	0	576	0
Total revenues	255,857	1,741	17,952	367,246	1,072
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	0	0	0	0
Public works	613,064	0	0	0	0
Health and welfare	0	0	2,644	283,241	0
Culture and recreation	0	0	0	0	0
Capital outlay	0	0	7,253	0	0
Total expenditures	613,064	0	9,897	283,241	0
<i>Excess (deficiency) of revenues over expenditures</i>	<i>(357,207)</i>	<i>1,741</i>	<i>8,055</i>	<i>84,005</i>	<i>1,072</i>
Other Financing Sources (Uses):					
Operating transfers in	200,000	577,639	0	0	0
Operating transfers (out)	0	0	(8,055)	0	0
Total other financing sources (uses)	200,000	577,639	(8,055)	0	0
Net changes in fund balances	(157,207)	579,380	0	84,005	1,072
Fund balance, beginning of year	803,425	354,803	0	223,602	91,066
Fund balance (deficit), end of year	\$646,218	\$934,183	\$0	\$307,607	\$92,138

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, 2011

	Law Enforcement Protection	Litter Control and Beautification	Local Government Corrections	Lodgers' Tax	Lodgers' Tax Promotional
REVENUES					
Intergovernmental	\$27,200	\$4,800	\$0	\$0	\$0
Property tax	0	0	0	0	0
Lodgers' tax	0	0	0	417,248	0
State shared taxes and municipal taxes	0	0	0	0	0
Fees	0	0	40,285	0	0
Investment income	0	0	0	316	0
Sales of property	0	0	0	0	0
Donations	0	0	0	0	0
Miscellaneous	0	0	0	0	0
<i>Total revenues</i>	27,200	4,800	40,285	417,564	0
EXPENDITURES					
Current:					
General government	0	0	0	73,878	0
Public safety	2,066	0	94,054	0	0
Public works	0	0	0	0	0
Health and welfare	0	5,500	0	0	0
Culture and recreation	0	0	0	0	327,476
Capital outlay	21,144	0	0	0	0
<i>Total expenditures</i>	23,210	5,500	94,054	73,878	327,476
<i>Excess (deficiency) of revenues over expenditures</i>	3,990	(700)	(53,769)	343,686	(327,476)
Other Financing Sources (Uses):					
Operating transfers in	0	0	60,000	0	318,300
Operating transfers (out)	0	0	0	(368,300)	0
<i>Total other financing sources (uses)</i>	0	0	60,000	(368,300)	318,300
<i>Net changes in fund balances</i>	3,990	(700)	6,231	(24,614)	(9,176)
Fund balance, beginning of year	32,079	1,201	10,782	144,509	64,666
<i>Fund balance (deficit), end of year</i>	\$36,069	\$501	\$17,013	\$119,895	\$55,490

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, 2011

	Senior Companion Program	Senior Employment Program	Special Library Donation	State and Local Narcotics Assistance Control	Totals
REVENUES					
Intergovernmental	\$79,465	\$31,192	\$0	\$0	\$1,180,626
Property tax	0	0	0	0	0
Lodgers' tax	0	0	0	0	417,248
State shared taxes and municipal taxes	0	0	0	0	124,122
Fees	0	0	0	0	57,493
Investment income	0	0	53	0	5,776
Sales of property	0	0	0	0	11,480
Donations	0	0	1,120	0	1,170
Miscellaneous	0	0	0	0	10,671
<i>Total revenues</i>	79,465	31,192	1,173	0	1,808,586
EXPENDITURES					
Current:					
General government	0	0	0	0	73,878
Public safety	0	0	0	0	186,814
Public works	0	0	0	0	613,064
Health and welfare	77,841	29,680	0	0	819,964
Culture and recreation	0	0	24	0	327,500
Capital outlay	0	0	0	21,144	49,541
<i>Total expenditures</i>	77,841	29,680	24	21,144	2,070,761
<i>Excess (deficiency) of revenues over expenditures</i>	1,624	1,512	1,149	(21,144)	(262,175)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	1,205,939
Operating transfers (out)	0	0	0	0	(429,789)
<i>Total other financing sources (uses)</i>	0	0	0	0	776,150
<i>Net changes in fund balances</i>	1,624	1,512	1,149	(21,144)	513,975
Fund balance, beginning of year	5,213	580	16,926	40,996	1,967,340
<i>Fund balance (deficit), end of year</i>	\$6,837	\$2,092	\$18,075	\$19,852	\$2,481,315

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Sale of lots	\$7,000	\$7,000	\$11,480	\$4,480
Interest on investments	0	0	345	345
Donations	0	0	50	50
<i>Total revenues</i>	<u>7,000</u>	<u>7,000</u>	<u>11,875</u>	<u>4,875</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	6,246	(6,246)
Capital outlay	75,000	75,000	0	75,000
<i>Total expenditures</i>	<u>75,000</u>	<u>75,000</u>	<u>6,246</u>	<u>68,754</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(68,000)</u>	<u>(68,000)</u>	<u>\$5,629</u>	<u>\$73,629</u>
<i>Budgeted cash carryover</i>	<u>68,000</u>	<u>68,000</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$5,629
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)	\$5,629

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

CITY OF GRANTS
CIBOLA SENIOR CITIZENS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$289,314	\$289,314	\$318,928	\$29,614
Fees and charges	19,747	19,747	17,208	(2,539)
Other revenue	1,000	1,000	95	(905)
<i>Total revenues</i>	<u>310,061</u>	<u>310,061</u>	<u>336,231</u>	<u>26,170</u>
EXPENDITURES				
Personnel	191,752	191,752	186,962	4,790
Operating	163,021	163,021	161,550	1,471
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>354,773</u>	<u>354,773</u>	<u>348,512</u>	<u>6,261</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(44,712)	(44,712)	(12,281)	32,431
Other Financing Sources (Uses):				
Operating transfers in	50,000	50,000	50,000	0
Operating transfers (out)	0	0	0	0
<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>	<u>\$5,288</u>	<u>\$5,288</u>	<u>\$37,719</u>	<u>\$32,431</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$37,719
Adjustments for revenue accruals	(24,061)
Adjustments for expenditures accruals	297
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$13,955

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$7,993	\$7,993	\$13,435	\$5,442
Interest on investments	0	0	0	0
<i>Total revenues</i>	<u>7,993</u>	<u>7,993</u>	<u>13,435</u>	<u>5,442</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	9,933	9,932	1
Capital outlay	8,300	0	0	0
<i>Total expenditures</i>	<u>8,300</u>	<u>9,933</u>	<u>9,932</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(307)	(1,940)	<u>\$3,503</u>	<u>\$5,443</u>
Budgeted cash carryover	307	307		
	<u>\$0</u>	<u>(\$1,633)</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$3,503
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)	<u>\$3,503</u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$123,334	\$123,334	\$158,936	\$35,602
Miscellaneous	0	0	0	0
Interest on investments	0	0	252	252
<i>Total revenues</i>	<u>123,334</u>	<u>123,334</u>	<u>159,188</u>	<u>35,854</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	64,797	64,797	79,472	(14,675)
Capital outlay	51,685	51,685	0	51,685
<i>Total expenditures</i>	<u>116,482</u>	<u>116,482</u>	<u>79,472</u>	<u>37,010</u>
<i>Excess (deficiency) of revenues over expenditures</i>	6,852	6,852	79,716	72,864
Other Financing Sources (Uses):				
Operating transfers (out)	(55,700)	(55,700)	(53,434)	2,266
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>(48,848)</u>	<u>(48,848)</u>	<u>\$26,282</u>	<u>\$75,130</u>
Budgeted cash carryover	48,848	48,848		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$26,282
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(1,290)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>\$24,992</u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$77,863	\$77,863	\$71,336 ^c	(\$6,527)
EXPENDITURES				
Personnel	22,668	22,668	59,583	(36,915)
Operating	46,103	46,103	6,788	39,315
Capital outlay	0	0	0	0
<i>Total expenditures</i>	68,771	68,771	66,371	2,400
<i>Excess (deficiency) of revenues over expenditures</i>	\$9,092	\$9,092	\$4,965	(\$4,127)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$4,965
Adjustments for revenue accruals	(4,965)
Adjustments for expenditures accruals	(226)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$226)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$520,000	\$520,000	\$120,000	(\$400,000)
Property tax	0	0	0	0
State shared taxes	105,000	105,000	123,356	18,356
Interest on investments	0	0	2,501	2,501
Miscellaneous revenue	0	0	10,000	10,000
<i>Total revenues</i>	<u>625,000</u>	<u>625,000</u>	<u>255,857</u>	<u>(369,143)</u>
EXPENDITURES				
Personnel	78,959	78,959	78,959	0
Operating	1,230,000	1,230,000	731,869	498,131
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>1,308,959</u>	<u>1,308,959</u>	<u>810,828</u>	<u>498,131</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(683,959)	(683,959)	(554,971)	128,988
Other Financing Sources (Uses):				
Operating transfers in	200,000	200,000	200,000	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(483,959)	(483,959)	<u>(\$354,971)</u>	<u>\$128,988</u>
Budgeted cash carryover	<u>483,959</u>	<u>483,959</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	(\$354,971)
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals	197,764
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u>(\$157,207)</u>

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

CITY OF GRANTS
GRT STREET & PARKS IMPROVEMENTS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$2,500	\$2,500	\$1,741	(\$759)
EXPENDITURES				
Personnel	0	0	0	0
Operating	0	0	0	0
Capital outlay	600,000	600,000	0	600,000
<i>Total expenditures</i>	600,000	600,000	0	600,000
<i>Excess (deficiency) of revenues over expenditures</i>	(597,500)	(597,500)	1,741	599,241
Other Financing Sources (Uses):				
Operating transfers in	390,000	577,640	577,639	(1)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(207,500)	(19,860)	<u>\$579,380</u>	<u>\$599,240</u>
Budgeted cash carryover	207,500	19,860		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$579,380
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)	<u><u>\$579,380</u></u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$113,946	\$113,946	\$17,952	(\$95,994)
Interest on investments	0	0	0	0
<i>Total revenues</i>	<u>113,946</u>	<u>113,946</u>	<u>17,952</u>	<u>(95,994)</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	61,180	61,180	2,644	58,536
Capital outlay	52,766	52,766	7,253	45,513
<i>Total expenditures</i>	<u>113,946</u>	<u>113,946</u>	<u>9,897</u>	<u>104,049</u>
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	8,055	8,055
Other Financing Sources (Uses):				
Operating transfers (out)	0	0	(8,055)	(8,055)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$500,000	\$500,000	\$366,408	(\$133,592)
Interest on investments	0	0	262	262
Miscellaneous income	0	0	576	576
<i>Total revenues</i>	<u>500,000</u>	<u>500,000</u>	<u>367,246</u>	<u>(132,754)</u>
EXPENDITURES				
Personnel	15,810	15,810	14,940	870
Operating	20,000	20,000	17,334	2,666
Housing assistance payments	504,000	504,000	250,967	253,033
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>539,810</u>	<u>539,810</u>	<u>283,241</u>	<u>256,569</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(39,810)	(39,810)	<u>\$84,005</u>	<u>\$123,815</u>
Budgeted cash carryover	39,810	39,810		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$84,005
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)	<u>\$84,005</u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared taxes	\$0	\$0	\$766	\$766
Interest on investments	0	0	306	306
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>1,072</u>	<u>1,072</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	60,000	60,000	0	60,000
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>60,000</u>	<u>60,000</u>	<u>0</u>	<u>60,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(60,000)	(60,000)	<u>\$1,072</u>	<u>\$61,072</u>
Budgeted cash carryover	60,000	60,000		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,072
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)	<u>\$1,072</u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$27,200	\$27,200	\$27,200	\$0
Miscellaneous	0	0	0	0
Interest on investments	0	0	0	0
<i>Total revenues</i>	<u>27,200</u>	<u>27,200</u>	<u>27,200</u>	<u>0</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	11,280	11,280	2,066	9,214
Capital outlay	20,800	20,800	21,144	(344)
<i>Total expenditures</i>	<u>32,080</u>	<u>32,080</u>	<u>23,210</u>	<u>8,870</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(4,880)	(4,880)	<u>\$3,990</u>	<u>\$8,870</u>
<i>Budgeted cash carryover</i>	4,880	4,880		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$3,990
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)	\$3,990

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$7,100	\$7,100	\$8,100	\$1,000
EXPENDITURES				
Personnel	7,100	7,100	0	7,100
Operating	0	0	5,500	(5,500)
Capital outlay	0	0	0	0
<i>Total expenditures</i>	7,100	7,100	5,500	1,600
Excess (deficiency) of revenues over expenditures	\$0	\$0	\$2,600	\$2,600

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,600
Adjustments for revenue accruals	(3,300)
Adjustments for expenditures accruals	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$700)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Court fees	\$80,000	\$80,000	\$40,285	(\$39,715)
Interest on investments	0	0	0	0
<i>Total revenues</i>	80,000	80,000	40,285	(39,715)
EXPENDITURES				
Personnel	0	0	0	0
Operating	130,000	130,000	88,303	41,697
Capital outlay	0	0	0	0
<i>Total expenditures</i>	130,000	130,000	88,303	41,697
Excess (deficiency) of revenues over expenditures	(50,000)	(50,000)	(48,018)	1,982
Other Financing Sources (Uses):				
Operating transfers (in)	60,000	60,000	60,000	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$10,000	\$10,000	\$11,982	\$1,982

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$11,982
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(5,751)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$6,231

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Lodgers' tax	\$340,000	\$340,000	\$428,852	\$88,852
Interest on investments	0	0	316	316
<i>Total revenues</i>	340,000	340,000	429,168	89,168
EXPENDITURES				
Personnel	0	0	0	0
Operating	66,119	66,119	53,855	12,264
Capital outlay	0	0	0	0
<i>Total expenditures</i>	66,119	66,119	53,855	12,264
<i>Excess (deficiency) of revenues over expenditures</i>	273,881	273,881	375,313	101,432
Other Financing Sources (Uses):				
Operating transfers (out)	(368,300)	(368,300)	(368,300)	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(94,419)	(94,419)	\$7,013	\$101,432
Budgeted cash carryover	94,419	94,419		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$7,013
Adjustments for revenue accruals	(11,604)
Adjustments for expenditures accruals	(20,023)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$24,614)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES	\$0	\$0	\$0	\$0
EXPENDITURES				
Personnel	0	0	0	0
Operating	351,300	351,300	298,857	52,443
Capital outlay	0	0	0	0
<i>Total expenditures</i>	351,300	351,300	298,857	52,443
<i>Excess (deficiency) of revenues over expenditures</i>	(351,300)	(351,300)	(298,857)	52,443
Other Financing Sources (Uses):				
Operating transfers in	318,300	318,300	318,300	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(33,000)	(33,000)	\$19,443	\$52,443
Budgeted cash carryover	33,000	33,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$19,443
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(28,619)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	(\$9,176)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$101,184	\$101,184	\$83,308	(\$17,876)
EXPENDITURES				
Personnel	27,618	27,618	69,724	(42,106)
Operating	53,860	53,860	9,753	44,107
Capital outlay	0	0	0	0
<i>Total expenditures</i>	81,478	81,478	79,477	2,001
<i>Excess (deficiency) of revenues over expenditures</i>	\$19,706	\$19,706	\$3,831	(\$15,875)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$3,831
Adjustments for revenue accruals	(3,843)
Adjustments for expenditures accruals	1,636
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$1,624

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$40,491	\$40,491	\$31,523	(\$8,968)
EXPENDITURES				
Personnel	35,384	35,384	31,182	4,202
Operating	0	0	0	0
<i>Total expenditures</i>	35,384	35,384	31,182	4,202
<i>Excess (deficiency) of revenues over expenditures</i>	\$5,107	\$5,107	\$341	(\$4,766)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$341
Adjustments for revenue accruals	(331)
Adjustments for expenditures accruals	1,502
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$1,512

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Donations	\$500	\$500	\$1,120	\$620
Interest on investments	200	200	53	(147)
<i>Total revenues</i>	<u>700</u>	<u>700</u>	<u>1,173</u>	<u>473</u>
EXPENDITURES				
Personnel	0	0	0	0
Operating	3,500	3,500	24	3,476
Capital outlay	5,000	5,000	0	5,000
<i>Total expenditures</i>	<u>8,500</u>	<u>8,500</u>	<u>24</u>	<u>8,476</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(7,800)	(7,800)	<u>\$1,149</u>	<u>\$8,949</u>
Budgeted cash carryover	7,800	7,800		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,149
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)	<u><u>\$1,149</u></u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental	\$25,000	\$25,000	\$0	(\$25,000)
Miscellaneous	0	0	0	0
<i>Total revenues</i>	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>(25,000)</u>
EXPENDITURES				
Personnel	60,000	60,000	0	60,000
Operating	5,000	5,000	0	5,000
Capital outlay	0	0	21,144	(21,144)
<i>Total expenditures</i>	<u>65,000</u>	<u>65,000</u>	<u>21,144</u>	<u>43,856</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(\$21,144)</u>	<u>\$18,856</u>
Budgeted cash carryover	<u>40,000</u>	<u>40,000</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$21,144)
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)	(\$21,144)

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

CITY OF GRANTS
DEBT SERVICE FUNDS
JUNE 30, 2011

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.

GRT Income 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, 2011

	GRT Income Fund	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve	NMFA Loan	NMFA Reserve	Totals
ASSETS						
Cash	\$0	\$131,760	\$0	\$0	\$0	\$131,760
Cash held with trustee	0	174,949	149,522	117,351	64,230	506,052
<i>Total assets</i>	\$0	\$306,709	\$149,522	\$117,351	\$64,230	\$637,812
LIABILITIES AND FUND BALANCE						
Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
Fund Balance:						
Restricted	0	306,709	149,522	117,351	64,230	637,812
<i>Total fund balance</i>	0	306,709	149,522	117,351	64,230	637,812
<i>Total liabilities and fund balance</i>	\$0	\$306,709	\$149,522	\$117,351	\$64,230	\$637,812

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, 2011**

	GRT Income Fund	GRT Revenue Bond Debt Service	GRT Revenue Bond Reserve	NMFA Loan	NMFA Reserve	Totals
REVENUES						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Investment income	0	206	122	331	55	714
<i>Total revenues</i>	0	206	122	331	55	714
EXPENDITURES						
Debt Service:						
Principal	0	130,000	0	90,898	0	220,898
Interest	0	14,367	0	22,838	0	37,205
Fees	0	1,225	0	8,084	0	9,309
<i>Total expenditures</i>	0	145,592	0	121,820	0	267,412
Excess (deficiency) of revenues over expenditures	0	(145,386)	122	(121,489)	55	(266,698)
Other Financing Sources (Uses):						
Operating transfers in	144,367	144,727	0	126,891	0	415,985
Operating transfers (out)	(144,367)	0	(360)	0	(3,651)	(148,378)
<i>Total other financing sources (uses)</i>	0	144,727	(360)	126,891	(3,651)	267,607
<i>Net changes in fund balances</i>	0	(659)	(238)	5,402	(3,596)	909
Fund balance, beginning of year	0	307,368	149,760	111,949	67,826	636,903
<i>Fund balance, end of year</i>	\$0	\$306,709	\$149,522	\$117,351	\$64,230	\$637,812

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

CITY OF GRANTS
GRT INCOME FUND
DEBT SERVICE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$0	\$0	\$0	\$0
EXPENDITURES				
Paying agent fees	0	0	0	0
Bond interest	0	0	0	0
Bond principal	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0
Other Financing Sources (Uses):				
Operating transfers in	144,367	144,367	144,367	0
Operating transfers (out)	(144,367)	(144,367)	(144,367)	0
<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	\$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
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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$0	\$0	\$206	\$206
EXPENDITURES				
Paying agent fees	4,000	4,000	1,225	2,775
Bond interest	14,367	14,367	14,367	0
Bond principal	130,000	130,000	130,000	0
<i>Total expenditures</i>	148,367	148,367	145,592	2,775
<i>Excess (deficiency) of revenues over expenditures</i>	(148,367)	(148,367)	(145,386)	2,981
Other Financing Sources (Uses):				
Operating transfers in	151,867	151,867	144,727	(7,140)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	151,867	151,867	144,727	(7,140)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$3,500	\$3,500	(\$659)	(\$4,159)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$659)
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)	(\$659)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest	\$7,500	\$7,500	\$122	(\$7,378)
EXPENDITURES				
Management fees	500	500	0	500
<i>Excess (deficiency) of revenues over expenditures</i>	7,000	7,000	122	(6,878)
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	(7,500)	(7,500)	(360)	7,140
<i>Total other financing sources (uses)</i>	(7,500)	(7,500)	(360)	7,140
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(500)	(500)	(238)	\$262
Budgeted cash carryover	500	500		
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$238)
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)	(\$238)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest/Investment income	\$0	\$0	\$331	\$331
EXPENDITURES				
Principal	90,368	90,368	90,898	(530)
Interest	32,519	32,519	22,838	9,681
Fees	3,000	3,000	8,084	(5,084)
<i>Total expenditures</i>	125,887	125,887	121,820	4,067
<i>Excess (deficiency) of revenues over expenditures</i>	(125,887)	(125,887)	(121,489)	4,398
Other Financing Sources (Uses):				
Loan proceeds - NMFA	0	0	0	0
Operating transfers in	130,507	130,507	126,891	(3,616)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	130,507	130,507	126,891	(3,616)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$4,620	\$4,620	\$5,402	(\$4,024)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$5,402
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)	\$5,402

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Interest on investments	\$5,000	\$5,000	\$55	(\$4,945)
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	55	(4,945)
Other Financing Sources (Uses):				
Operating transfers (out)	(5,000)	(5,000)	(3,651)	1,349
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	(\$3,596)	(\$3,596)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$3,596)
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)	(\$3,596)

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, 2011

	Special Revenue	Debt Service	Total
ASSETS			
Cash	\$2,472,196	\$131,760	\$2,603,956
Cash held with trustee	0	506,052	506,052
Accounts receivable	60,285	0	60,285
Grant revenue receivable	61,891	0	61,891
Total assets	\$2,594,372	\$637,812	\$3,232,184
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$66,812	\$0	\$66,812
Accrued payroll	15,069	0	15,069
Due to other funds	31,176	0	31,176
Total liabilities	113,057	0	113,057
Fund Balances:			
Restricted	1,801,126	637,812	2,438,938
Assigned	680,189	0	680,189
Total fund balances	2,481,315	637,812	3,119,127
Total liabilities and fund balances	\$2,594,372	\$637,812	\$3,232,184

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, 2011

	Special Revenue	Debt Service	Total
REVENUES			
Intergovernmental	\$1,180,626	\$0	\$1,180,626
State shared and municipal taxes	124,122	0	124,122
Lodgers' tax	417,248	0	417,248
Fees	57,493	0	57,493
Investment income	5,776	714	6,490
Sales of property	11,480	0	11,480
Donations	1,170	0	1,170
Miscellaneous	10,671	0	10,671
<i>Total revenues</i>	<u>1,808,586</u>	<u>714</u>	<u>1,809,300</u>
EXPENDITURES			
Current:			
General government	73,878	0	73,878
Public safety	186,814	0	186,814
Public works	613,064	0	613,064
Health and welfare	819,964	0	819,964
Culture and recreation	327,500	0	327,500
Capital outlay	49,541	0	49,541
Debt Service:			
Principal	0	220,898	220,898
Interest	0	37,205	37,205
Fees	0	9,309	9,309
<i>Total expenditures</i>	<u>2,070,761</u>	<u>267,412</u>	<u>2,338,173</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(262,175)	(266,698)	(528,873)
Other Financing Sources (Uses):			
Operating transfers in	1,205,939	415,985	1,621,924
Operating transfers (out)	(429,789)	(148,378)	(578,167)
<i>Total other financing sources (uses)</i>	<u>776,150</u>	<u>267,607</u>	<u>1,043,757</u>
<i>Net changes in fund balances</i>	513,975	909	514,884
Fund balance, beginning of year	1,967,340	636,903	2,604,243
<i>Fund balance, end of year</i>	<u>\$2,481,315</u>	<u>\$637,812</u>	<u>\$3,119,127</u>

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

CITY OF GRANTS
CAPITAL PROJECTS FUNDS
JUNE 30, 2011

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$3,402,000	\$3,402,000	\$1,234,556	(\$2,167,444)
Other	0	0	110,005	110,005
Rental revenue	6,000	6,000	16,838	10,838
<i>Total revenues</i>	<u>3,408,000</u>	<u>3,408,000</u>	<u>1,361,399</u>	<u>(2,046,601)</u>
EXPENDITURES				
Current:				
Capital outlay	4,393,000	4,393,000	1,943,146	2,449,854
<i>Total expenditures</i>	<u>4,393,000</u>	<u>4,393,000</u>	<u>1,943,146</u>	<u>2,449,854</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(985,000)	(985,000)	(581,747)	403,253
Other Financing Sources (Uses):				
Operating transfers in	850,000	850,000	850,000	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(135,000)	(135,000)	<u>\$268,253</u>	<u>\$403,253</u>
Budgeted cash carryover	<u>135,000</u>	<u>135,000</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$268,253
Adjustments for revenue accruals	(734,225)
Capital transfers out	(706,382)
Adjustments for expenditures accruals	413,693
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	<u><u>(\$758,661)</u></u>

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

CITY OF GRANTS
ENTERPRISE FUNDS
JUNE 30, 2011

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, 2011

	Home Program	Low Rent	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$0	\$54,640	\$54,640
Investments	0	0	0
Accounts receivable tenants (net of allowance)	0	0	0
Accounts receivable	0	0	0
Interest receivable	0	0	0
Prepaid insurance	0	0	0
Other deferred charges	0	0	0
Due from other funds	0	26,676	26,676
<i>Total current assets</i>	0	81,316	81,316
Capital Assets	0	1,194,192	1,194,192
Less accumulated depreciation	0	(606,574)	(606,574)
<i>Net capital assets</i>	0	587,618	587,618
Total assets	\$0	\$668,934	\$668,934
LIABILITIES			
Current Liabilities:			
Accounts payable	\$0	\$6,082	\$6,082
Accrued payroll	0	5,026	5,026
Due to other funds	0	0	0
Deferred revenue	0	0	0
Tenant security deposits	0	4,400	4,400
Tenants prepaid rent	0	249	249
Current portion of long-term debt	0	0	0
<i>Total current liabilities</i>	0	15,757	15,757
Non-Current Liabilities:			
Accrued compensated absences	0	4,284	4,284
Leases payable - long-term portion	0	0	0
<i>Total noncurrent liabilities</i>	0	4,284	4,284
<i>Total liabilities</i>	0	20,041	20,041
Net Assets:			
Invested in capital assets, net of related debt	0	587,618	587,618
Unrestricted	0	61,275	61,275
<i>Total fund net assets</i>	0	648,893	648,893
Total liabilities and fund net assets	\$0	\$668,934	\$668,934

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, 2011

	Home Program	Low Rent	Total
OPERATING REVENUES			
Rental income	\$0	\$71,797	\$71,797
<i>Total operating revenues</i>	<i>0</i>	<i>71,797</i>	<i>71,797</i>
OPERATING EXPENSES			
Operating expenses	0	124,166	124,166
Depreciation	0	33,926	33,926
<i>Total operating expenses</i>	<i>0</i>	<i>158,092</i>	<i>158,092</i>
<i>Operating income (loss)</i>	<i>0</i>	<i>(86,295)</i>	<i>(86,295)</i>
NON-OPERATING REVENUE AND (EXPENSES)			
Federal grants and subsidies	0	15,648	15,648
Interest earnings	0	99	99
Other	0	5	5
Loss on asset disposals	0	(440)	(440)
<i>Total non-operating revenue and (expenses)</i>	<i>0</i>	<i>15,312</i>	<i>15,312</i>
<i>Net income (loss) before contributions and transfers</i>	<i>0</i>	<i>(70,983)</i>	<i>(70,983)</i>
Operating transfers in	0	21,583	21,583
Operating transfers (out)	(13,528)	0	(13,528)
Capital transfers in	0	112	112
Capital transfers (out)	(112)	0	(112)
<i>Change in net assets</i>	<i>(13,640)</i>	<i>(49,288)</i>	<i>(62,928)</i>
Total fund net assets, at beginning of year	13,640	698,181	711,821
<i>Total fund net assets, at end of year</i>	<i>\$0</i>	<i>\$648,893</i>	<i>\$648,893</i>

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, 2011

	Home Program	Low Rent	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers (including other funds)	\$0	\$95,454	\$95,454
Cash paid to suppliers	(173,993)	(116,466)	(290,459)
Cash paid to employees	0	(637)	(637)
<i>Net cash provided (used) by operating activities</i>	(173,993)	(21,649)	(195,642)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Grants and subsidies	0	15,648	15,648
Advances (to) from other funds	(32,939)	0	(32,939)
Transfers in (out)	(13,528)	21,583	8,055
Non tenant income	0	5	5
<i>Net cash provided (used) by noncapital financing activities</i>	(46,467)	37,236	(9,231)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property and equipment, net of trades	0	(3,499)	(3,499)
Disposition of assets	0	491	491
Lease proceeds	0	0	0
Capital transfers (in) out	0	0	0
Loss on asset disposal	0	(440)	(440)
Principal paid: revenue bonds/lease purchase/advances	0	0	0
Grants and subsidies	0	0	0
Other income	0	0	0
<i>Net cash provided (used) by capital and related financing activities</i>	0	(3,448)	(3,448)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	364	99	463
<i>Net cash provided (used) by investing activities</i>	364	99	463
<i>Net increase (decrease) in cash</i>	(220,096)	12,238	(207,858)
Cash and restricted cash, beginning of year	220,096	42,402	262,498
<i>Cash and restricted cash, end of year</i>	\$0	\$54,640	\$54,640
Non Cash Transactions:			
Capital assets transferred in (out)	(\$112)	\$112	\$0

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, 2011

	Home Program	Low Rent	Total
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$0	(\$86,295)	(\$86,295)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	0	33,926	33,926
Provision for uncollectible accounts	0	0	0
Change in assets and liabilities:			
(Increase) Decrease in assets:			
Accounts receivables	0	2,708	2,708
Due from/(to) other funds	0	20,949	20,949
Inventories	0	0	0
Prepays and deposits	0	0	0
Increase (Decrease) in liabilities:			
Accounts and contracts payable	(173,993)	4,472	(169,521)
Wages payable	0	2,621	2,621
Compensated absences	0	(105)	(105)
Other deferred charges: Tenant deposits	0	(161)	(161)
Tenants prepaid rent	0	236	236
Total adjustments	(173,993)	64,646	(109,347)
Net cash provided (used) by operating activities	(\$173,993)	(\$21,649)	(\$195,642)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Golf course fees	\$275,000	\$275,000	\$298,385	\$23,385
Rental income	0	0	4,869	4,869
Other	0	0	0	0
<i>Total revenues</i>	<u>275,000</u>	<u>275,000</u>	<u>303,254</u>	<u>28,254</u>
OPERATING EXPENSES				
Personnel	392,212	392,212	320,773	71,439
Operating	351,186	351,186	373,360	(22,174)
Capital outlay	0	0	0	0
<i>Total operating expenses</i>	<u>743,398</u>	<u>743,398</u>	<u>694,133</u>	<u>49,265</u>
<i>Operating income (loss)</i>	<u>(468,398)</u>	<u>(468,398)</u>	<u>(390,879)</u>	<u>77,519</u>
Non-Operating Revenue (Expenses)				
Transfers in	398,000	398,000	398,000	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>398,000</u>	<u>398,000</u>	<u>398,000</u>	<u>0</u>
<i>Net income (loss) after transfers</i>	<u>(70,398)</u>	<u>(70,398)</u>	<u>\$7,121</u>	<u>\$77,519</u>
Budgeted cash carryover	<u>70,398</u>	<u>70,398</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Net income (loss) after transfers	\$7,121
Adjustments for revenue accruals	0
Capital transfers	0
Adjustments for expense accruals	(134,981)
Net income (loss) (GAAP) Basis	(\$127,860)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Rental income	\$0	\$0	\$0	\$0
Interest on investments	0	0	0	0
Miscellaneous income	0	0	0	0
Gain (loss) on sale of assets	0	0	0	0
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OPERATING EXPENSES				
Personnel	0	0	0	0
Operating	220,460	220,460	0	220,460
<i>Total operating expenses</i>	<u>220,460</u>	<u>220,460</u>	<u>0</u>	<u>220,460</u>
<i>Operating income (loss)</i>	(220,460)	(220,460)	<u>\$0</u>	<u>\$220,460</u>
Budgeted cash carryover	220,460	220,460		
	<u>\$0</u>	<u>\$0</u>		

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

Budgetary - GAAP Reporting Reconciliation:

Operating income (loss)	\$0
Adjustments for revenue accruals	0
Adjustments for expense accruals, depreciation and transfers	(13,640)
Net income (loss) after transfers (GAAP) Basis	(\$13,640)

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Rental income	\$56,500	\$56,500	\$72,255	\$15,755
<i>Total revenues</i>	<u>56,500</u>	<u>56,500</u>	<u>72,255</u>	<u>15,755</u>
OPERATING EXPENSES				
Personnel	78,000	78,000	77,187	813
Operating	28,000	28,000	40,186	(12,186)
Capital outlay	0	0	0	0
<i>Total operating expenses</i>	<u>106,000</u>	<u>106,000</u>	<u>117,373</u>	<u>(11,373)</u>
<i>Operating income (loss)</i>	(49,500)	(49,500)	(45,118)	4,382
Non-Operating Revenue (Expenses)				
HUD grants and subsidy	15,000	15,000	15,648	648
Interest	0	0	99	99
Other	0	0	(435)	(435)
Transfers in	0	0	21,582	21,582
<i>Total non-operating revenue (expenses)</i>	<u>15,000</u>	<u>15,000</u>	<u>36,894</u>	<u>21,894</u>
<i>Net income (loss) after non-operating revenue</i>	(34,500)	(34,500)	<u>(8,224)</u>	<u>\$26,276</u>
Budgeted cash carryover	34,500	34,500		
	<u>\$0</u>	<u>\$0</u>		

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

Budgetary - GAAP Reporting Reconciliation:

Net income (loss) after non-operating revenue	(\$8,224)
Adjustments for revenue accruals	(346)
Adjustments for expense accruals and depreciation	(40,718)
Net income (loss) (GAAP) Basis	<u>(\$49,288)</u>

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, 2011

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Refuse collection	\$1,537,000	\$1,537,000	\$1,594,395	\$57,395
Water sales (net)	1,750,000	1,750,000	1,961,074	211,074
Sewer charges	1,660,000	1,660,000	1,724,771	64,771
Total government tax	246,250	246,250	276,281	30,031
Other	33,000	33,000	112,279	79,279
<i>Total revenues</i>	<u>5,226,250</u>	<u>5,226,250</u>	<u>5,668,800</u>	<u>442,550</u>
OPERATING EXPENSES				
Public works	4,540,033	4,540,033	4,202,967	337,066
Capital outlay	835,000	835,000	58,011	776,989
<i>Total operating expenses</i>	<u>5,375,033</u>	<u>5,375,033</u>	<u>4,260,978</u>	<u>1,114,055</u>
<i>Operating income (loss)</i>	(148,783)	(148,783)	1,407,822	1,556,605
Non-Operating Revenue (Expenses)				
Interest income	33,500	33,500	8,165	(25,335)
Transfers in	1,021,067	1,070,205	1,065,459	(4,746)
Transfers (out)	(1,521,567)	(1,523,620)	(1,518,874)	4,746
Interest expense	(87,049)	(460,260)	(71,505)	388,755
Principal payments	(460,260)	(87,049)	(473,805)	(386,756)
Debt service fees	(5,000)	(5,000)	(975)	4,025
<i>Total non-operating revenue (expenses)</i>	<u>(1,019,309)</u>	<u>(972,224)</u>	<u>(991,535)</u>	<u>(19,311)</u>
<i>Net income (loss)</i>	(1,168,092)	(1,121,007)	<u>\$416,287</u>	<u>\$1,537,294</u>
<i>Budgeted cash carryover</i>	<u>1,168,092</u>	<u>1,121,007</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Net income	\$416,287
Adjustments for revenue accruals	6,204
Capital transfers in (out) - net	706,382
Adjustments for expense accruals	(122,885)
Net income (GAAP) Basis	\$1,005,988

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRANTS
AGENCY FUNDS
JUNE 30, 2011

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, 2011

	Balance June 30, 2010	Increase	Decrease	Balance June 30, 2011
Appearance Bond Fund:				
Assets				
Petty cash	\$500	\$0	\$0	\$500
Cash in bank	15,907	22,963	17,731	21,139
	<u>\$16,407</u>	<u>\$22,963</u>	<u>\$17,731</u>	<u>\$21,639</u>
Liabilities				
Deposits held for others	\$16,407	\$22,963	\$17,731	\$21,639
Senior Activity Account:				
Assets				
Cash in bank	\$2,288	\$1,602	\$971	\$2,919
Liabilities				
Funds held for Seniors	\$2,288	\$1,602	\$971	\$2,919
Total Agency Funds:				
Assets				
Petty cash	\$500	\$0	\$0	\$500
Cash in bank	18,195	24,565	18,702	24,058
<i>Total assets</i>	<u>\$18,695</u>	<u>\$24,565</u>	<u>\$18,702</u>	<u>\$24,558</u>
Liabilities				
Deposits held for others	\$18,695	\$24,565	\$18,702	\$24,558

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, 2011

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2011	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, 2010 June 30, 2011	N/A	\$70,249	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	\$24,605	Village of Milan	REV: Village of Milan Lib. Sr. Anim Cibola County Cibola Transit Authority 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, 2011

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at June 30, 2010	Receipts	Expenditures	Accrued or (Deferred) Revenue at June 30, 2011
<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. 2009-10	\$32,015	\$4,909	(\$29,612)	\$24,703	\$0
<i>Total U.S. Department of Agriculture</i>			\$32,015	\$4,909	(\$29,612)	\$24,703	\$0
<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	\$7,396	(\$45,416)	\$40,342	\$2,322
Title III C	93.045	No. 3	40,254	5,453	(42,522)	43,231	6,162
<i>Total U.S. Department of Health and Human Services</i>			\$80,596	\$12,849	(\$87,938)	\$83,573	\$8,484
<u>U.S. Department of Housing and Urban Development</u>							
Passed through New Mexico Department of Finance and Administration							
Community Development Block Grant - Johnson Street	14.288	10-C-NR-I-01-G-23	\$445,000	\$1,755	\$0	\$57,734	\$59,489
Direct Funding:							
Low Rent Public Housing Operating Subsidy - Housing	14.850	NM030-00000111D	29,475	0	(15,648)	15,648	0
Section 8 Rental Voucher Program - Housing	14.871		366,408	0	(366,408)	366,408	0
Public Housing Capital Fund	14.872	NM02P030501-09	40,276	15,891	(11,937)	17,953	21,907
Capital Fund Recovery Grant - ARRA	14.885	NM02S030501-09	51,010	0	0	0	0
<i>Total U.S. Department of Housing and Urban Development</i>			\$932,169	\$17,646	(\$393,993)	\$457,743	\$81,396
<u>U.S. Department of Justice</u>							
Office of Justice Programs							
ARRA	16.579	2009-SB-B9-2118	\$39,740	\$0	\$0	\$2,559	\$2,559
<i>Total U.S. Department of Justice</i>			\$39,740	\$0	\$0	\$2,559	\$2,559

CITY OF GRANTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at June 30, 2010	Receipts	Expenditures	Accrued or (Deferred) Revenue at June 30, 2011
<u>U.S. Department of Transportation</u>							
Airport Improvement Project	20.106	3-35-0020-011-2009	\$245,430	\$23,413	(\$23,413)	\$0	\$0
Airport Improvement Project (AWOS)	20.106	3-35-0020-012-2010	212,847	0	(21,173)	23,121	1,948
Passed through the New Mexico Department of Transportation							
Federal Aviation Administration							
Highway, Planning & Construction Grant							
ARRA - COOP Project - Nimitz	20.205	ECO-5953(1)	800,000	547,952	(780,516)	232,564	0
<u>Total U.S. Department of Transportation</u>			\$1,258,277	\$571,365	(\$825,102)	\$255,685	\$1,948
<u>Total Federal Financial Assistance</u>			\$2,342,797	\$806,769	(\$1,336,645)	\$824,263	\$94,387
Grant revenue receivable (page 12) (\$125,887 less state grant receivables of \$31,500)							\$94,387
							\$94,387

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.

Housing Authority of the City of Grants
Financial Data Schedule
6/30/2011

Line Item #	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	0	50,240	1,725	0	51,965
113	Cash - Other Restricted	0	0	313,831	0	313,831
114	Cash - Tenant Security Deposits	0	4,400	0	0	4,400
100	Total Cash	0	54,640	315,556	0	370,196
121	Accounts Receivable - PHA Projects	0	0	0	0	0
122	Due from HUD - Other Projects	0	21,907	0	0	21,907
124	Accounts Receivable - Other Government	0	0	0	0	0
125	Accounts Receivable - Miscellaneous	0	0	0	0	0
126	Accounts Receivable - Tenants	0	0	0	0	0
126.1	Allowance for Doubtful Accts - Tenants	0	0	0	0	0
126.2	Allowance for Doubtful Accts - Other	0	0	0	0	0
120	Total Receivables, Net of Allowance for Doubtful Accts	0	21,907	0	0	21,907
132	Investments - Restricted	0	0	0	0	0
142	Prepaid Expenses and Other Assets	0	0	0	0	0
144	Inter Program Due From	0	4,769	0	0	4,769
150	Total Current Assets	0	81,316	315,556	0	396,872
161	Land	0	46,724	0	0	46,724
162	Buildings	0	1,456,340	0	0	1,456,340
163	Furniture, Equip & Machinery - Dwellings	0	20,214	0	0	20,214
164	Furniture, Equip & Machinery - Administration	0	23,157	8,814	0	31,971
165	Leasehold Improvements	0	38,356	0	0	38,356
166	Accumulated Depreciation	0	(789,841)	(8,814)	0	(798,655)
167	Construction in Progress	0	0	0	0	0
168	Infrastructure	0	0	0	0	0
160	Total Capital Assets, Net of Accumulated Deprec	0	794,950	0	0	794,950
180	Total Non-Current Assets	0	794,950	0	0	794,950
190	Total Assets	0	876,266	315,556	0	1,191,822
312	Accounts Payable <= 90 Days	0	5,700	2,164	0	7,864
321	Accrued Wages/Payroll Taxes Payable	0	5,408	1,017	0	6,425
322	Accrued Compensated Absences - Current Portion	0	2,136	851	0	2,987
341	Tenant Security Deposits	0	4,400	0	0	4,400
342	Deferred Revenues	0	249	0	0	249
347	Inter Program - Due To	0	0	4,769	0	4,769
310	Total Current Liabilities	0	17,893	8,801	0	26,694
354	Accrued Compensated Absences - Non Current	0	2,148	890	0	3,038
350	Total Noncurrent Liabilities	0	2,148	890	0	3,038
300	Total Liabilities	0	20,041	9,691	0	29,732
508	Total Contributed Capital	0	0	0	0	0
508.1	Invested in Capital Assets, Net of Related Debt	0	794,950	0	0	794,950
511	Total Reserved Fund Balance	0	0	0	0	0
511.1	Restricted Net Assets	0	0	304,140	0	304,140
512.1	Unrestricted Net Assets	0	61,275	1,725	0	63,000
513	Total Equity/Net Assets	0	856,225	305,865	0	1,162,090
600	Total Liabilities and Equity/Net Assets	0	876,266	315,556	0	1,191,822
70300	Net Tenant Rental Revenue	0	68,979	0	0	68,979
70400	Tenant Revenue - Other	0	0	0	0	0
70500	Total Tenant Revenue	0	68,979	0	0	68,979

Housing Authority of the City of Grants
Financial Data Schedule
6/30/2011

70600	HUD PHA Operating Grants	0	15,648	366,408	10,699	392,755
70610	Capital Grants	0	0	0	7,253	7,253
71100	Investment Income - Unrestricted	0	99	1	0	100
71300	Proceed from Disposition of Assets Held for Sale	0	0	0	0	0
71310	Cost of Sale of Assets	0	0	0	0	0
71400	Fraud Recovery	0	0	1,152	0	1,152
71500	Other Revenue	0	2,823	0	0	2,823
71600	Gain or Loss on Sale of Capital Assets	0	(440)			(440)
72000	Investment Income - Restricted	0		261	0	261
70000	Total Revenue	0	87,109	367,822	17,952	472,883
91100	Administrative Salaries	0	59,138	11,872	0	71,010
91200	Auditing Fees	0	0	0	0	0
91300	Management Fees	0	0	0	0	0
91500	Employee Benefit Contributions - Administrative	0	15,300	3,068	0	18,368
91600	Office Expenses	0	5,113	7,753	0	12,866
91700	Legal Expenses	0	0	0	0	0
91800	Travel	0	5,410	3,427	0	8,837
91900	Other	0	5,202	5,589	0	10,791
91000	Total Operating - Administration	0	90,163	31,709	0	121,872
92400	Tenant Services - Other	0	0	0	0	0
92500	Total Tenant Services	0	0	0	0	0
93100	Water	0	1,569	0	0	1,569
93200	Electricity	0	3,019	0	0	3,019
93300	Gas	0	776	0	0	776
93800	Other Utilities Expense	0	0	0	0	0
93000	Total Utilities	0	5,364	0	0	5,364
94100	Ordinary Maint and Operations - Labor	0	5,046	0	0	5,046
94200	Ordinary Maint and Operations - Materials & Other	0	7,043	0	0	7,043
94300	Ordinary Maint and Operations - Contract Costs	0	10,181	0	0	10,181
94500	Employee Benefit Contributions - Ordinary Maintenance	0	410	0	0	410
94000	Total Maintenance	0	22,680	0	0	22,680
96110	Property Insurance	0	6,774	564	0	7,338
96130	Workmen's Compensation	0	2,137		0	2,137
96100	Total Insurance Premiums	0	8,911	564	0	9,475
96210	Compensated Absences	0	(105)	(50)	0	(155)
96400	Bad debt - Tenants	0	0		0	0
96000	Total Other General Expenses	0	(105)	(50)	0	(155)
96900	Total Operating Expenses	0	127,013	32,223	0	159,236
96900	Excess Operating Revenue over Operating Expenses	0	(39,904)	335,599	17,952	313,647
97300	Housing Assistance Payments	0	0	251,544	0	251,544
97200	Casualty Losses - Non-Capitalized	0	(200)	0	0	(200)
97400	Depreciation Expense	0	66,543	0	1,514	68,057
90000	Total Expenses	0	193,356	283,767	1,514	478,637
10010	Operating Transfers In	0	8,055	0	0	8,055
10020	Operating Transfers Out	0	(8,055)	0	0	(8,055)
10093	Transfers between Project and Program - In	0	0	0	0	0
10094	Transfers between Project and Program - Out	0	0	0	0	0
10100	Total Other Financing Sources (Uses)	0	0	0	0	0
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	0	(106,247)	84,055	16,438	(5,754)
11030	Beginning Equity	13,638	932,395	221,810	0	1,167,843
11040	Prior Period Adj, Equity Transfers, Correction of Errors	(13,638)	30,076	0	(16,438)	0
11170	Administrative Fee Equity	0	0	1,725	0	1,725
11180	Housing Assistance Payments Equity	0	0	304,140	0	304,140
11190	Unit Months Available		240			240
11210	Number of Unit Months Leased		224			224



**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, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of the City of Grants as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Grants' 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-04, 2010-02 and 2011-01.

The City's responses to the findings identified in our audit are 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 it.

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

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

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

November 30, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 City of Grants' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. 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 City of Grants' management. Our responsibility is to express an opinion on 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 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 City of Grants' compliance with those requirements.

In our opinion, City of Grants complied in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of 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 City of Grants' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, City Council, others within the entity, the State Auditor, the New Mexico Legislature, 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.

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

November 30, 2011

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
14.872, 14.885	CFP Cluster
20.205	Highway Planning & Construction Grant – ARRA – Coop Project - Nimitz

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

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, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2011-01 Budgeted Deficit – Significant Deficiency

Statement of Condition – The City budget exceeded the available projected revenues and cash carryover balances in the following fund:

Emergency Medical Services Fund	\$1,633
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Criteria – According to 2.2.2.10 NMCA if budgeted expenditures exceed budgeted revenues then that amount must not exceed the beginning of fiscal year cash.

Cause – Inadequate monitoring of the City’s budgeting procedures.

Effect – Potential for funds to over expend their resources resulting in unapproved loans from general fund.

Recommendation – Budget for future years should be revised to insure all funds have adequate projected revenues and cash carryovers for appropriations. Greater attention should be given to the budget monitoring process.

Management’s Response – The City revised the expenditure amount of \$1,633.00 to adjust the budget amount. The revenue amount of \$1,633.00 was not adjusted. The City will properly review the EMS Fund in future years to prevent this from occurring.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2010-01 City Check Cashed by Employee

Resolved and not repeated.

2010-02 Audit Report Not Submitted Timely – Significant Deficiency

Repeated with modification.

Statement of Condition – The audit report for the year ended June 30, 2011 was not submitted timely.

Criteria – Audits of Municipalities must be submitted by December 1 in accordance with the New Mexico State Audit Rule 2.2.2. NMAC.

Cause – The auditor was unable to complete and produce a quality report by the December 1, 2011 due date.

Effect – Noncompliance with New Mexico State Audit Rule 2.2.2. NMAC.

Recommendation – The timing of field work and report preparation should be revised to improve timeliness.

Management’s Response – We concur with Kriegel/Gray/Shaw & Co., P.C.’s finding and recommendation.

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

Resolved and not repeated.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

NON-COMPLIANCE

2008-04 Budgeted Expenditures Exceeded – Significant Deficiency

Repeated with modification.

Statement of Condition – The City exceeded its budget in the Low Rent Program (by \$11,373).

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 and that budgeted expenditures cannot exceed resources (revenue plus beginning cash balance).

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 determination of beginning cash balance (\$0) Capital Funds Program which created a budgeted deficit.

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 monitor more closely the Grants Housing Authority Budgets and make the correct adjustments for future budgets.

CITY OF GRANTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

EXIT CONFERENCE:

The exit conference was held November 17, 2011 and was attended by the following:

From City of Grants:

Joe Murrietta, Mayor
Bob Horacek, City Manager
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.