

**STATE OF NEW MEXICO
CITY OF MORIARTY
AUDIT REPORT
JUNE 30, 2008**

STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Function of the Entity and Official Roster	1
FINANCIAL STATEMENTS SECTION	
Independent Auditors' Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	4-5
Statement of Activities	6-7
Fund Financial Statements	
Balance Sheet-Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	10
Statement of Revenues and Expenditures, Budget (Non-GAAP Basis) and Actual on Budgetary Basis	
General Fund	11
Statement of Net Assets-Proprietary Funds	12
Statement of Revenues, Expenses and Change in Fund Net Assets- Proprietary Funds	13
Statement of Cash Flows-Proprietary Funds	14
Notes to the Financial Statements	15-35
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	36-37
Combining and Individual Fund Financial Statements:	
Combining Balance Sheet-Nonmajor Governmental Funds	38

Combining Statement of Revenues, Expenditures and Changes in Fund Balances	39-40
---	--------------

Statement of Revenues and Expenditures-Budget (Non-GAAP Basis) and Actual on

Budgetary Basis:

Cemetery Fund.....	41
EMS Fund.....	42
Fire Protection Fund	43
Juvenile Recreation Fund.....	44
Enforcement Protection Fund	45
Lodgers Tax Fund	46
Capital Projects Police Facility.....	49
Capital Projects CDBG Storm Drain	50
Capital Projects DWI Park	51
Debt Service Civic Center	52

Statement of Revenues, Expenses and Changes in Fund Net Assets-

Budget and Actual

Water Fund	53
Sewer Fund	54
Solid Waste Disposal Fund	55

OTHER SUPPLEMENTARY INFORMATION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Schedule of Findings and Responses	58-59

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2008**

FUNCTION OF THE ENTITY

The City of Moriarty, New Mexico was incorporated in 1953 and operates under a Mayor Council form of government. Four Councilors are elected at large for a four-year term of office. Non-partisan elections are held biannually for staggered terms of office. The Mayor is elected at large and serves as the Chairman of the Council.

The City provides traditional services such as public safety, public works, culture and recreation and other services, which are normal operations of cities. The City provides water, sewer and solid waste services.

OFFICAL ROSTER

Mayor and Councilmen

<u>Name</u>	<u>Title</u>
Adan Encinias	Mayor
Steve Anaya	Councilman
Larry Irvin	Councilman
Robert Ortiz	Councilman
Ted Hart	Councilman

Administrative Officials

Linda Fischer	City Clerk-Treasurer
David Cohen	Fire Chief
Bobby Garcia	Police Chief
Mike Tapia	Public Works Administrator

FINANCIAL STATEMENTS SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Adan Encinias, Mayor
City Council
City of Moriarty
Moriarty, New Mexico

And

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moriarty, New Mexico (City), as of and for the year ended June 30, 2008, which collectively comprise the agency's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the agency's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008 on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and 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 City of Moriarty has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental 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.

Pattillo, Brown & Hill LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 24, 2008

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Current assets:			
Cash and cash equivalents	\$ 1,458,331	\$ 271,064	\$ 1,729,395
Receivables (net of allowances for uncollectible)	500,065	105,585	605,650
Prepaid expenses	44,851	-	44,851
Restricted cash and investments	244,503	192,777	437,280
Total current assets	<u>2,247,750</u>	<u>569,426</u>	<u>2,817,176</u>
Noncurrent assets:			
Capital assets not being depreciated			
Land	1,491,053	945,808	2,436,861
Construction in progress	1,429,801	162,040	1,591,841
Capital assets being depreciated, net	10,595,952	5,060,339	15,656,291
Total capital assets	<u>13,516,806</u>	<u>6,168,187</u>	<u>19,684,993</u>
Total noncurrent assets	<u>13,516,806</u>	<u>6,168,187</u>	<u>19,684,993</u>
Other assets:			
Economic development credit	24,000	-	24,000
Total other assets	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total assets	<u>\$ 15,788,556</u>	<u>\$ 6,737,613</u>	<u>\$ 22,526,169</u>

The accompanying notes are an integral part of these financial statements

LIABILITIES	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable	\$ 179,317	\$ 59,514	\$ 238,831
Accrued payroll expenses	-	11,456	11,456
Internal Balances	-	-	-
Meter deposits	-	71,014	71,014
Accrued interest payable	7,891	41,119	49,010
Current portion of capital lease	19,754	-	19,754
Current portion long term debt	<u>119,927</u>	<u>23,962</u>	<u>143,889</u>
Total current liabilities	<u>326,889</u>	<u>207,065</u>	<u>533,954</u>
Noncurrent liabilities:			
Compensated absences	61,706	15,029	76,735
Loan payable	1,425,350	251,131	1,676,481
Lease payable	21,127	-	21,127
Bonds payable	-	1,010,000	1,010,000
Total noncurrent liabilities	<u>1,508,183</u>	<u>1,276,160</u>	<u>2,784,343</u>
 Total liabilities	 <u>1,835,072</u>	 <u>1,483,225</u>	 <u>3,318,297</u>
 NET ASSETS			
Invested in capital assets, net of related debt	11,905,745	4,841,975	16,747,720
Restricted for:			
Debt service	229,614	121,763	351,377
Capital projects	645,619	-	645,619
Unrestricted	<u>1,172,506</u>	<u>290,650</u>	<u>1,463,156</u>
 Total net assets	 <u>\$ 13,953,484</u>	 <u>\$ 5,254,388</u>	 <u>\$ 19,207,872</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 1,054,053	\$ 138,970	\$ 96,596	\$ -
Public safety	1,206,044	22,478	197,692	-
Culture and recreation	446,296	23,817	3,639	-
Health and welfare	243,067	-	-	-
Highways and streets	449,988	-	-	1,388,641
Interest on long-term debt	87,589	-	-	-
Total governmental activities	<u>3,487,037</u>	<u>185,265</u>	<u>297,927</u>	<u>1,388,641</u>
Business-type activities:				
Water	479,227	387,431	-	-
Sewer	340,183	192,441	-	140,530
Solid waste	370,117	442,157	-	-
Total business-type activities	<u>1,189,527</u>	<u>1,022,029</u>	<u>-</u>	<u>140,530</u>
Total primary government	<u>\$ 4,676,564</u>	<u>\$ 1,207,294</u>	<u>\$ 297,927</u>	<u>\$ 1,529,171</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 State shared

 Sales

 Lodgers

 Franchise

Insurance proceeds

Investment earnings

 Total general revenues

 Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(818,487)	\$ -	\$(818,487)
(985,874)	-	(985,874)
(418,840)	-	(418,840)
(243,067)	-	(243,067)
938,653	-	938,653
<u>(87,589)</u>	<u>-</u>	<u>(87,589)</u>
<u>(1,615,204)</u>	<u>-</u>	<u>(1,615,204)</u>
-	(91,796)	(91,796)
-	(7,212)	(7,212)
-	72,040	72,040
<u>-</u>	<u>(26,968)</u>	<u>(26,968)</u>
<u>(1,615,204)</u>	<u>(26,968)</u>	<u>(1,642,172)</u>
70,126	-	70,126
330,046	-	330,046
1,741,310	-	1,741,310
197,024	-	197,024
10,849	-	10,849
-	-	-
<u>61,823</u>	<u>461</u>	<u>62,284</u>
<u>2,411,178</u>	<u>461</u>	<u>2,411,639</u>
795,974	(26,507)	769,467
<u>13,157,510</u>	<u>5,280,895</u>	<u>18,438,405</u>
<u>\$ 13,953,484</u>	<u>\$ 5,254,388</u>	<u>\$ 19,207,872</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	General	Capital Projects DWI Park	Capital Projects Police Facility	Capital Projects CDBG Storm Drain	Other Governmental Funds	Total Governmental Funds
Cash	\$ 496,116	\$ -	\$ 474,886	\$ 73,145	\$ 414,184	\$ 1,458,331
Investments	-	-	-	-	244,503	244,503
Accounts receivable (net of allowance)	175,312	227,248	40,877	-	56,628	500,065
Prepaid expense	44,851	-	-	-	-	44,851
Total assets	\$ 716,279	\$ 227,248	\$ 515,763	\$ 73,145	\$ 715,315	\$ 2,247,750

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 74,241	\$ 59,612	\$ 10,436	\$ -	\$ 35,028	\$ 179,317
Deferred revenue	-	59,612	40,877	-	-	100,489
Total liabilities	74,241	119,224	51,313	-	35,028	279,806

Fund balances:

Reserved for						
Capital projects	-	108,024	464,450	73,145	-	645,619
Debt service	-	-	-	-	229,614	229,614
Unreserved, reported in:						
General fund	642,038	-	-	-	-	642,038
Special revenue funds	-	-	-	-	450,673	450,673
Total fund balances	642,038	108,024	464,450	73,145	680,287	1,967,944

Total liabilities and fund balances	\$ 716,279	\$ 227,248	\$ 515,763	\$ 73,145	\$ 715,315	
--	-------------------	-------------------	-------------------	------------------	-------------------	--

Long term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.

(1,655,755)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

13,516,806

Allowance for the sale of assets in prior years are not financial resources and, therefore, are not reported in the funds.

24,000

Recognition of deferred revenue is reflected on the full accrual basis in the statement of net assets.

100,489

Net assets of governmental activities

\$ 13,953,484

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2008

	<u>General</u>	<u>Capital Projects DWI Park</u>	<u>Capital Projects Police Facility</u>	<u>Capital Projects CDBG Storm Drain</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Gross receipts tax	\$ 1,741,310	\$ -	\$ -	\$ -	\$ -	\$ 1,741,310
Property taxes	70,126	-	-	-	-	70,126
Lodgers' tax	-	-	-	-	197,024	197,024
Other state shared taxes	40,937	-	-	-	289,109	330,046
Franchise taxes	10,849	-	-	-	-	10,849
Licenses and permits	13,187	-	-	-	6,425	19,612
Intergovernmental	176,744	167,636	-	905,671	-	1,250,051
Fines and forfeitures	18,673	-	-	-	-	18,673
Charges for services	1,596	-	-	-	-	1,596
Grants	66,824	-	-	56,491	189,055	312,370
Rents and royalties	50,397	-	-	-	48,671	99,068
Other	43,813	-	-	-	26,161	69,974
Investment	44,944	-	15,214	-	1,665	61,823
Total revenues	<u>2,279,400</u>	<u>167,636</u>	<u>15,214</u>	<u>962,162</u>	<u>758,110</u>	<u>4,182,522</u>
EXPENDITURES						
Current:						
General government	770,276	-	-	-	-	770,276
Public safety	1,052,374	-	-	-	82,314	1,134,688
Culture and recreation	270,666	-	-	-	80,760	351,426
Health and welfare	180,357	-	-	-	62,710	243,067
Highways and streets	-	-	-	-	290,260	290,260
Debt service:						
Principal	18,405	-	-	-	119,492	137,897
Interest	1,349	-	-	-	87,755	89,104
Capital outlay	<u>350,434</u>	<u>177,248</u>	<u>40,887</u>	<u>1,083,599</u>	<u>60,253</u>	<u>1,712,421</u>
Total expenditures	<u>2,643,861</u>	<u>177,248</u>	<u>40,887</u>	<u>1,083,599</u>	<u>783,544</u>	<u>4,729,139</u>
Excess (deficiency) of revenues over (under) expenditures	(364,461)	177,248 (9,612)	(25,673)	(121,437)	(25,434)	(546,617)
Other financing sources (uses):						
Debt proceeds	111,112	-	-	-	-	111,112
Transfers in (out)	(175,209)	114,849	-	103,276	(42,916)	-
Total other financing sources (uses)	(64,097)	114,849	-	103,276	(42,916)	111,112
Net change in fund balances	(428,558)	105,237	(25,673)	(18,161)	(68,350)	(435,505)
Fund balances, beginning of year	<u>1,070,596</u>	<u>2,787</u>	<u>490,123</u>	<u>91,306</u>	<u>748,637</u>	<u>2,403,449</u>
Fund balances, end of year	<u>\$ 642,038</u>	<u>\$ 108,024</u>	<u>\$ 464,450</u>	<u>\$ 73,145</u>	<u>\$ 680,287</u>	<u>\$ 1,967,944</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

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

Net change in fund balances - total governmental funds	\$(435,505)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	1,124,899
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	26,785
Recognition of accounts receivable and deferred revenues is reflected on the full accrual basis within the statement of activities. The City has determined that the receivables are not available, therefore the revenues have been deferred within the governmental funds.	100,489
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(20,694)</u>
Change in net assets of governmental activities	<u>\$ 795,974</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 2,116,150	\$ 2,116,150	\$ 2,068,989	\$(47,161)
Licenses and permits	7,540	7,540	13,187	5,647
Intergovernmental	238,500	305,500	176,744	(128,756)
Fines & forfeitures	23,474	23,474	18,673	(4,801)
Charges for services	3,041	3,041	1,596	(1,445)
Grants	47,900	61,100	66,824	5,724
Rents and royalties	49,356	49,356	50,397	1,041
Other	11,000	47,300	43,813	(3,487)
Investment	62,256	62,256	44,944	(17,312)
Total revenues	<u>2,559,217</u>	<u>2,675,717</u>	<u>2,485,167</u>	<u>(190,550)</u>
EXPENDITURES				
Current:				
General government	833,918	735,027	733,678	1,349
Public safety	1,041,187	1,079,251	1,052,374	26,877
Culture and recreation	333,662	337,802	270,662	67,140
Health and welfare	181,493	194,592	180,357	14,235
Debt Service				
Principal	-	18,405	18,405	-
Interest	-	1,349	1,349	-
Capital Outlay	314,250	515,225	350,433	164,792
Total expenditures	<u>2,704,510</u>	<u>2,881,651</u>	<u>2,607,258</u>	<u>274,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,293)</u>	<u>(205,934)</u>	<u>(122,091)</u>	<u>83,843</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	111,112	111,112
Transfers in (out)	-	(175,209)	(175,209)	-
Total other financing sources (uses)	<u>-</u>	<u>(175,209)</u>	<u>(64,097)</u>	<u>111,112</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(145,293)</u>	<u>\$(381,143)</u>	<u>\$(186,188)</u>	<u>\$ 194,955</u>
Beginning cash balance	<u>\$ 680,626</u>	<u>\$ 680,626</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(186,188)	
Change in receivables			(205,767)	
Change in prepaid expense			839	
Change in accounts payable			(37,442)	
Net change in fund balances GAAP basis			<u>\$(428,558)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash	\$ 157,512	4,754	\$ 108,798	\$ 271,064
Due from other funds	-	50,557	-	50,557
Accounts receivable (net of allowance for uncollectible)	<u>39,892</u>	<u>29,754</u>	<u>35,939</u>	<u>105,585</u>
Total current assets	<u>197,404</u>	<u>85,065</u>	<u>144,737</u>	<u>427,206</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments - meter deposits	35,507	35,507	-	71,014
Cash and investments - bond reserve	<u>121,763</u>	<u>-</u>	<u>-</u>	<u>121,763</u>
Total restricted assets	<u>157,270</u>	<u>35,507</u>	<u>-</u>	<u>192,777</u>
Capital assets:				
Non-depreciable assets				
Land	587,201	357,807	800	945,808
Construction in progress	-	162,040	-	162,040
Depreciable assets, net	<u>2,817,424</u>	<u>2,242,915</u>	<u>-</u>	<u>5,060,339</u>
Total capital assets	<u>3,404,625</u>	<u>2,762,762</u>	<u>800</u>	<u>6,168,187</u>
Total noncurrent assets	<u>3,561,895</u>	<u>2,798,269</u>	<u>800</u>	<u>6,360,964</u>
Total assets	<u>\$ 3,759,299</u>	<u>\$ 2,883,334</u>	<u>\$ 145,537</u>	<u>\$ 6,788,170</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	3,713	2,564	53,237	59,514
Due to other funds	50,557	-	-	50,557
Accrued payroll expenses	7,454	2,536	1,466	11,456
Meter deposits	35,507	35,507	-	71,014
Accrued interest	41,119	-	-	41,119
Current portion of long term debt	<u>23,962</u>	<u>-</u>	<u>-</u>	<u>23,962</u>
Total current liabilities	<u>162,312</u>	<u>40,607</u>	<u>54,703</u>	<u>257,622</u>
Noncurrent Liabilities:				
Compensated absences	10,251	4,778	-	15,029
Loan payable	251,131	-	-	251,131
Revenue bond (net)	<u>1,010,000</u>	<u>-</u>	<u>-</u>	<u>1,010,000</u>
Total noncurrent liabilities	<u>1,271,382</u>	<u>4,778</u>	<u>-</u>	<u>1,276,160</u>
Total liabilities	<u>1,433,694</u>	<u>45,385</u>	<u>54,703</u>	<u>1,533,782</u>
Net Assets				
Invested in capital assets, net of related debt	2,078,413	2,762,762	800	4,841,975
Restricted for debt service	121,763	-	-	121,763
Unrestricted	<u>125,429</u>	<u>75,187</u>	<u>90,034</u>	<u>290,650</u>
Total net assets	<u>\$ 2,325,605</u>	<u>\$ 2,837,949</u>	<u>\$ 90,834</u>	<u>\$ 5,254,388</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 387,431	\$ 192,441	\$ 442,157	\$ 1,022,029
Total operating revenues	<u>387,431</u>	<u>192,441</u>	<u>442,157</u>	<u>1,022,029</u>
Operating expenses:				
Personnel services	165,811	48,957	-	214,768
Depreciation	114,571	131,956	-	246,527
Contract services	25,279	-	367,617	392,896
Other operating expense	119,566	159,270	2,500	281,336
Total operating expenses	<u>425,227</u>	<u>340,183</u>	<u>370,117</u>	<u>1,135,527</u>
Operating income (loss)	<u>(37,796)</u>	<u>(147,742)</u>	<u>72,040</u>	<u>(113,498)</u>
Non-operating revenues (expenses):				
Interest earned	461	-	-	461
Interest	(54,000)	-	-	(54,000)
Total non-operating revenues (expenses)	<u>(53,539)</u>	<u>-</u>	<u>-</u>	<u>(53,539)</u>
Income (loss) before contributions and transfers	<u>(91,335)</u>	<u>(147,742)</u>	<u>72,040</u>	<u>(167,037)</u>
Capital contributions	<u>-</u>	<u>140,530</u>	<u>-</u>	<u>140,530</u>
Change in net assets	<u>(91,335)</u>	<u>(7,212)</u>	<u>72,040</u>	<u>(26,507)</u>
Total net assets - beginning	<u>2,416,940</u>	<u>2,845,161</u>	<u>18,794</u>	<u>5,280,895</u>
Total net assets - ending	<u>\$ 2,325,605</u>	<u>\$ 2,837,949</u>	<u>\$ 90,834</u>	<u>\$ 5,254,388</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 388,819	\$ 182,342	\$ 442,666	\$ 1,013,827
Payments to employees for services	(164,811)	(48,399)	-	(213,210)
Payments to suppliers for goods and services	(147,971)	(166,588)	(347,165)	(661,724)
Net cash provided by operating activities	<u>76,037</u>	<u>(32,645)</u>	<u>95,501</u>	<u>138,893</u>
Cash flows from noncapital financing activities				
Transfers to other funds	2,335	-	-	2,335
Transfers from other funds	-	(2,035)	-	(2,035)
Net cash provided by capital and related activities	<u>2,335</u>	<u>(2,035)</u>	<u>-</u>	<u>300</u>
Cash flows from capital and related financing activities				
Capital Contributions	-	140,530	-	140,530
Acquisition of fixed assets	(12,290)	(108,998)	-	(121,288)
Principal paid on debt	(23,824)	-	-	(23,824)
Interest paid on debt	(54,009)	-	-	(54,009)
Net cash provided by capital and related activities	<u>(90,123)</u>	<u>31,532</u>	<u>-</u>	<u>(58,591)</u>
Cash flows from investing activities				
Interest	461	-	-	461
Transfer to restricted cash	(1,433)	-	-	(1,433)
Net cash provided by investing activities	<u>(972)</u>	<u>-</u>	<u>-</u>	<u>(972)</u>
Net increase in cash and cash equivalents	(12,723)	(3,148)	95,501	79,630
Cash and equivalents beginning of year	170,235	7,902	13,297	191,434
Cash and equivalents end of year	<u>\$ 157,512</u>	<u>\$ 4,754</u>	<u>\$ 108,798</u>	<u>\$ 271,064</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$(37,796)	\$(147,742)	\$ 72,040	\$(113,498)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	114,571	131,956	-	246,527
Change in assets and liabilities:				
Receivables, net	491	(10,099)	424	(9,184)
Customer deposits	897	-	-	897
Accounts and other payables	(3,126)	(7,318)	23,037	12,593
Accrued expenses	1,000	558	-	1,558
Net cash provided by operating activities	<u>\$ 76,037</u>	<u>\$(32,645)</u>	<u>\$ 95,501</u>	<u>\$ 138,893</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF MORIARTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Moriarty was incorporated under the provisions of the Municipal Code of the State of New Mexico (Sec. 14-2-1 et-Seq. 1953 Comp.) The City operates under a mayor council form of government. There are four council members plus the mayor, all of whom are elected at large. The basic criterion for including a component unit within the reporting entity of the City is the exercise of oversight responsibility by the City Council.

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

A. Reporting Entity

This summary of significant accounting policies of the City of Moriarty is presented to assist in the understanding of City of Moriarty's financial statements. The financial statements and notes are the representation of City of Moriarty's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP).

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns of the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Sales, franchise, lodgers, gas, cigarette and other similar taxes are recognized when the underlying exchange transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place. Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects DWI Park was established to account for income and expenditures related to the construction of the DWI – Memorial Park

The Capital Projects Police Facility was established to account for forfeitures, due to seizure, received by the police department and expenditures related to these funds.

The Capital Projects CDBG – Storm Drain Fund is used to account for the revenue and expenditures associated with the Storm Drain project approved by the State of New Mexico and funded by a federal grant.

The City reports the following major proprietary funds:

The Water Fund is used to account for the activities of the City's water operations.

The Sewer Fund is used to account for the activities of the City's sewer operations.

The Solid Waste Disposal Fund accounts for the revenue and expenditures associated with the collection and disposal of solid waste.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Deposits and investments include amounts in demand deposits, certificates of deposit and investments with a maturity date within a year of the date acquired by the City. Investments are stated at cost.

Capital Assets

Capital assets, which include property, plant, equipment, improvements, and water and sewer systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has chosen the prospective reporting of general infrastructures assets. The City currently does not capitalize and depreciate library books. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Property, improvements, equipment, and water and sewer systems are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Data Processing Equipment & Software	3
Vehicles	5-7
Equipment and Machinery	5-20
Buildings	40
Plant and Distributing System	40

Compensated Absences

The City's employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation and sick leave pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Property Taxes

The City's property taxes are assessed and collected by Torrance County. At this time the County cannot provide the City with the amount of delinquent property taxes therefore unavailable property taxes are not reported in the financial statements.

Recent Accounting Pronouncements

In July 2004, the Government Accounting Standards Board Issued GASB No. 43, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). The statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of states and local governmental employers. This statement pertains to the City's accrued future medical costs and will be effective for periods ending June 30, 2009. The City repealed its ordinance for future medical costs effective June 30, 2007.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Lease payable - long term	\$	40,881
Loan payable - long term		1,545,277
Accrued interest payable		7,891
Compensated absences		<u>61,706</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	<u>1,655,755</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$	1,712,421
Depreciation expense		<u>(587,522)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u>1,124,899</u>

Another element of that reconciliation states, “issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” The details of this difference are as follows:

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue,

Debt issued or incurred:	
Proceeds from issuance of debt	\$ 111,112
Principal repayments:	
Loan payable	(105,566)
Lease payable	<u>(32,331)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (26,785)</u>

Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities
 (continued)

Another element of that reconciliation states, "Some expenses 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." The details of this difference are as follows:

Compensated absences - increase	\$ (10,209)
Amortization of Economic Development Credit	(12,000)
Accrued interest - decrease	<u>1,515</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (20,694)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. Prior to June 1, the City Clerk-Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.

3. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

Budgetary Information (continued)

2. The City Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico Department of Finance, Division of Local Governments. The original budget that was adopted in July 2007 was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classifications detail in which expenditures or expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the general, special revenue and capital project funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for general, special revenue and capital projects funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

4. **DETAILED NOTES ON ALL FUNDS**

Deposits and Investments

The City can invest in; bonds or negotiable securities of the United States, of this state, of other governments; and other securities, contracts or obligations that are backed by the full faith and credit of the United States government.

At June 30, 2008, the City had cash and cash equivalents on deposit with local financial institutions, consisting of checking accounts and certificates of deposit that are carried at cost, which also have values approximating market value. Following is a schedule as of June 30, 2008, of the cash and cash equivalents and collateral pledged to secure the public funds on deposit. All funds are held in the name of the City in financial institutions that have exceeded the minimum collateral requirements. All financial institutions have pledged collateral with securities held by their trust department or agent in the government's name.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

	Balance Per Bank 6/30/2008	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6/30/2008
Wells Fargo					
Checking Accounts					
Operating	\$ 305,578	\$ -	\$ (80,830)	\$ (823)	\$ 223,925
Water & Sewer Trust	45,248		(1,080)		44,168
Revenue Bond & Interest	61,714				61,714
First Community Bank					
Checking	505,337				505,337
Certificates of deposit	1,041,016				1,041,016
New Mexico Finance Authority					
Debt Service Accounts	88,970				88,970
Bank of Albuquerque					
Loan Reserve Accounts	<u>201,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,245</u>
Total Cash in Banks	<u>\$ 2,249,108</u>	<u>\$ -</u>	<u>\$ (81,910)</u>	<u>\$ (823)</u>	2,166,375
Plus Cash on Hand					<u>300</u>
					<u>\$ 2,166,675</u>

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Pledged Collateral at Banks

	Wells Fargo Bank	First Community Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Deposits	412,540	1,546,353	1,958,893
FDIC	<u>(100,000)</u>	<u>(200,000)</u>	<u>(300,000)</u>
Total uninsured public funds	312,540	1,346,353	1,658,893
Collateral pledged:			
Wells Fargo Bank			
San Francisco, CA			
FNCL, 5/01/2036			
CUSIP, 31409CV69			
	764,184	-	764,184
Federal Home Loan Bank			
Dallas, TX			
FHLB, 1/21/05			
CUSIP 31339YVV1 -FMV			
	-	130,059	130,059
FHLB, 1/21/05			
CUSIP 31339YVV1 -FMV			
	-	115,052	115,052
Torrance Etc Cntys NM Muni			
CUSIP 891400LE1 - PAR			
	-	250,000	250,000
MBS FHLMC Gold 15 Yr-B10178			
CUSIP 312962FT5 - FMV			
	-	33,406	33,406
Taos NM St Share d Gross Rec Bond			
CUSIP 87601RAL4 - PAR			
	-	75,000	75,000
FHR 2724 PT			
CUSIP 31394NBR8 - FMV			
	<u>-</u>	<u>138,621</u>	<u>138,621</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the City's name	<u>764,184</u>	<u>742,138</u>	<u>1,506,322</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 604,215</u>	<u>\$ 152,571</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2008 \$1,658,893 of the City's bank balance of \$1,958,893 was exposed to custodial credit risk as follows:

	<u>Wells Fargo Bank</u>	<u>First Community Bank</u>	<u>Total</u>
Uninsured and uncollateralized	\$ -	\$ 604,215	\$ 604,215
Uninsured and collateral held by pledging bank's trust department or agent, not in the City's name	<u>312,540</u>	<u>742,138</u>	<u>1,054,678</u>
Total	<u>\$ 312,540</u>	<u>\$ 1,346,353</u>	<u>\$ 1,658,893</u>

Additionally, four debt service accounts are managed by the New Mexico Finance Authority (NMFA), on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City. These accounts are exposed to custodial credit risk in the amount of \$88,970.

Fire Truck	\$ 1,724
Ambulance	1,585
Civic Center	78,143
Water Tower	<u>7,518</u>
Total	<u>\$ 88,970</u>

As of June 30, 2008, the City held \$201,245 in a US Treasury Notes; in connection with four New Mexico Finance Authority Loan Reserve Accounts. The note is held at the Bank of Albuquerque in the Bank's name, which exposes the City to custodial credit risk as noted above. The City does not have an investment policy to limit exposure to custodial credit risk or to manage its exposure to fair value losses due to rising interest rates (interest rate risk). At June 30, 2008 this investment was held for the following Loan Reserve Accounts:

Loan Reserve Account Fire Truck	\$ 13,165
Loan Reserve Account Civic Center	159,627
Loan Reserve Account Ambulance	10,993
Loan Reserve Account Water Tower	<u>17,460</u>
Total	<u>\$ 201,245</u>

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Enterprise Funds			Total
	General	DWI Park	Police Facility	Other Governmental Funds	Water	Sewer	Solid Waste	
Receivables:								
Customer accounts	\$ -	\$ -	\$ -	\$ -	\$ 41,768	\$ 29,754	\$ 35,939	\$ 107,461
Fines and fees	2,739	-	-	-	-	-	-	2,739
Property taxes	1,996	-	-	-	-	-	-	1,996
Sales tax	157,073	-	-	-	-	-	-	157,073
State shared tax	1,160	-	-	22,174	-	-	-	23,334
Intergovernmental	10,461	227,248	40,877	16,008	-	-	-	294,594
Lodgers tax	-	-	-	18,446	-	-	-	18,446
Motor vehicle fees	1,883	-	-	-	-	-	-	1,883
Gross receivables	175,312	227,248	40,877	56,628	41,768	29,754	35,939	607,526
Less allowance for uncollectibles	-	-	-	-	1,876	-	-	1,876
Total	\$ 175,312	\$ 227,248	\$ 40,877	\$ 56,628	\$ 39,892	\$ 29,754	\$ 35,939	\$ 605,650

Reserved Fund Balance / Restricted Net Assets

Reserved for Capital Projects –DWI Memorial Park Funds, Police Facility and CDBG Storm Drain k Funds – The amounts are to be used for capital project expenditures as restricted by the grant agreements. The restricted amounts of \$108,024, \$464,450 and \$73,145 are shown as reserved in the government-wide statements in the amount of \$645,619.

Reserved for Debt Service – Civic Center – The reserve of \$229,614 is to be used for future debt service payments and is restricted by the debt agreement. This amount is restricted in the government-wide statements.

Restricted for Debt Service – Proprietary Funds – The restriction of \$121,763 represents the amount to be used for future debt service payments as required by the debt agreements.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Adjustments/ Reclassification	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,003,872	\$ 161,324	\$ -	\$ 325,857	\$ 1,491,053
Construction in progress	423,284	1,341,923	-	(335,406)	1,429,801
Total capital assets not being depreciated	<u>1,427,156</u>	<u>1,503,247</u>	<u>-</u>	<u>(9,549)</u>	<u>2,920,854</u>
Capital assets, being depreciated:					
Buildings and improvements	4,025,638	-	-	-	4,025,638
Furniture and equipment	1,797,016	182,459	-	-	1,979,475
Land improvements	5,190,557	26,715	-	9,549	5,226,821
Infrastructure	4,579,610	-	-	-	4,579,610
Total capital assets being depreciated	<u>15,592,821</u>	<u>209,174</u>	<u>-</u>	<u>9,549</u>	<u>15,811,544</u>
Less accumulated depreciation:					
Buildings and improvements	1,006,823	96,464	-	-	1,103,287
Furniture and equipment	1,247,380	123,811	-	-	1,371,191
Land improvements	1,437,927	234,446	-	-	1,672,373
Infrastructure	935,940	132,801	-	-	1,068,741
Total accumulated depreciation	<u>4,628,070</u>	<u>587,522</u>	<u>-</u>	<u>-</u>	<u>5,215,592</u>
Total capital assets being depreciated, net	<u>10,964,751</u>	<u>(378,348)</u>	<u>-</u>	<u>9,549</u>	<u>10,595,952</u>
Governmental activities capital assets, net	<u>\$ 12,391,907</u>	<u>\$ 1,124,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,516,806</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 945,808	\$ -	\$ -	\$ -	\$ 945,808
Construction in progress	53,043	108,998	-	-	162,041
Total capital assets not being depreciated	<u>998,851</u>	<u>108,998</u>	<u>-</u>	<u>-</u>	<u>1,107,849</u>
Capital assets, being depreciated:					
Plant and distributing system	7,612,866	12,290	-	-	7,625,156
Machinery and equipment	185,467	-	-	-	185,467
Total capital assets being depreciated	<u>7,798,333</u>	<u>12,290</u>	<u>-</u>	<u>-</u>	<u>7,810,623</u>
Less accumulated depreciation:					
Plant and distributing system	2,310,460	235,497	-	-	2,545,957
Machinery and equipment	193,298	11,030	-	-	204,328
Total accumulated depreciation	<u>2,503,758</u>	<u>246,527</u>	<u>-</u>	<u>-</u>	<u>2,750,285</u>
Total capital assets being depreciated, net	<u>5,294,575</u>	<u>(234,237)</u>	<u>-</u>	<u>-</u>	<u>5,060,338</u>
Business-type activities capital assets, net	<u>\$ 6,293,426</u>	<u>\$ (125,239)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,168,187</u>

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 267,798
Public Safety	65,525
Highways and streets	159,329
Culture and recreation	<u>94,870</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 587,522</u>
 Business-type Activities:	
Water	\$ 114,571
Sewer	<u>131,956</u>
 Total Depreciation Expense - Business-type Activities	 <u>\$ 246,527</u>

Interfund Receivables, Payables and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Advances are expected to be repaid within the year.

Interfund transfers:

	Transfers out			Total
	General	CDBG Storm Drain	Other Governmental Funds	
Transfers In:				
Capital Projects CDBG Storm Drain	\$ -	\$ 103,276	\$ -	\$ 103,276
DWI Park			114,849	114,849
Other Governmental Funds	<u>175,209</u>	<u>-</u>	<u>42,916</u>	<u>218,125</u>
Total transfers out	<u>175,209</u>	<u>103,276</u>	<u>157,765</u>	<u>436,250</u>
Less transfers in	-	-	-	-
Net transfers	<u>\$ 175,209</u>	<u>\$ 103,276</u>	<u>\$ 157,765</u>	<u>\$ 436,250</u>

Legally authorized transfers between funds are recorded as other financing sources and uses in the respective funds. Transfers were made to cover cost overruns and to provide matching funds in order to qualify for grants from outside sources.

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Short-term Debt

The City had no short-term debt activity during the year.

Capital Leases

The government has entered into two lease agreements as lessee for financing the acquisition of police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:	
Furniture and equipment	\$ 136,032
Less Accumulated depreciation	<u>65,845</u>
Total	<u>\$ 70,187</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30,</u>	
2009	22,595
2010	22,595
Total minimum lease payments	45,190
Less amount representing interest	<u>4,309</u>
Present value of minimum lease payments	<u>\$ 40,881</u>

Long-term Debt

The City issues a variety of long-term debt instruments in order to construct and purchase major capital facilities for governmental and business-type activities. These instruments include revenue bonds and loans. These debt obligations are secured by either water and sewer system revenue or annual fire distributions. Debt obligations that are intended to be repaid from water and sewer system revenue have been recorded as business-type activities. All other long-term obligations of the City are considered to be governmental type activities.

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Bonds and Loan Payable

A summary of the terms of revenue bonds and loans outstanding and their corresponding allocations to the governmental and business-type activities at June 30, 2008 follows:

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
<u>Governmental Activities</u>				
Loans:				
NMFA-Ambulance	\$ 111,112	2015	1.27% to 1.54%	\$ 106,567
NMFA-Civic Center	1,964,962	2020	4.03% to 5.45%	1,420,990
NMFA-Fire Truck	<u>151,112</u>	2009	3.25% to 4.55%	<u>17,720</u>
Total governmental activities	<u><u>2,116,074</u></u>			<u><u>\$ 1,545,277</u></u>
<u>Business-type Activities</u>				
Revenue Bonds:				
1999 Water and Sewer	1,100,000	2039	4.75%	1,020,000
Loan:				
NMFA - Water Tower	<u>298,044</u>	2025	2.34% to 4.26%	<u>265,093</u>
Total business-type activities	<u><u>1,398,044</u></u>			<u><u>\$ 1,285,093</u></u>

Long-term Debt

Annual debt service requirements for bonds and loans are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	119,927	76,316	23,962	52,428
2010	106,877	71,102	34,108	51,291
2011	116,867	66,420	34,266	50,219
2012	112,007	61,404	34,435	49,135
2013	122,721	56,024	34,616	48,041
2014-2018	662,420	187,504	176,185	223,418
2019-2023	304,458	25,074	232,430	191,571
2024-2028	-	-	215,091	149,282
2029-2033	-	-	220,000	104,500
2034-2038	-	-	260,000	49,400
2039	-	-	20,000	2,850
Total	<u><u>\$ 1,545,277</u></u>	<u><u>\$ 543,844</u></u>	<u><u>\$ 1,285,093</u></u>	<u><u>\$ 972,135</u></u>

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Loan payable	\$ 1,539,731	\$ 111,112	\$ 105,566	\$ 1,545,277	\$ 119,927
Lease payable	73,212	-	32,331	40,881	19,754
Compensated absences	51,497	37,554	27,345	61,706	-
Governmental activities long-term liabilities	<u>\$ 1,740,156</u>	<u>\$ 148,666</u>	<u>\$ 165,242</u>	<u>\$ 1,647,864</u>	<u>\$ 139,681</u>
Business-type activities					
Revenue bonds	1,030,000	-	10,000	1,020,000	10,000
Loan payable	278,917	-	13,824	265,093	13,962
Compensated absences	14,710	10,731	10,412	15,029	-
Business-type activities long-term liabilities	<u>\$ 1,344,875</u>	<u>\$ 10,731</u>	<u>\$ 34,236</u>	<u>\$ 1,300,122</u>	<u>\$ 23,962</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Retirement Plan

Plan Description. Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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. The City is required to contribute 13.15% and 28.30% of the gross covered salary for regular members, and fire and police members, respectively. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

The City's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$103,631, \$95,685, and \$85,333, respectively, which equal the amount of the required contributions for each fiscal year.

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

Deferred Compensation Plan

The City has executed salary reduction agreements with certain employees on a voluntary basis. Amounts withheld per these agreements are used to purchase insurance contracts on behalf of and are owned by the employee. This plan is in accordance with Internal Revenue Code. The City of Moriarty does not make contributions to this plan and has no liability to the plan except to remit withheld amounts.

Retiree Health Care Act Contributions

Plan Description. The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

4. DETAILED NOTES ON ALL FUNDS (Continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The City's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$13,530, \$12,988 and \$11,424, respectively, which equal the required contributions for each year.

Risk Management

The City of Moriarty is insured through the New Mexico Self Insurer's Fund. Coverage provided includes all-peril on buildings and contents; crime coverage; general liability; civil rights and personal injury; motor vehicle and fleet property damage and liability; and statutory workmen compensation coverage. The crime coverage portion of this insurance includes employee fidelity/faithful performance coverage up to \$250,000 for each occurrence.

Joint Powers Agreements

The City of Moriarty along with the County of Santa Fe, the County of Bernalillo, the County of Torrance, the Village of Willard, the Town of Mountainair and the Town of Estancia entered into a joint powers agreement on August 2, 1983 to form a regional solid waste system. The responsible party for operations is the Estancia Valley Solid Waste Authority. The agreement has no expiration date. The City of Moriarty did not contribute to the Authority during the current year. Audit responsibility lies with the Authority. The agreement was updated on December 16, 1993, to include the Village of Encino and eliminated the Counties of Santa Fe and Bernalillo.

The County of Torrance, Town of Mountainair, City of Moriarty, Town of Estancia, Village of Encino and Village of Willard established a Joint Housing Authority to provide Housing Assistance to low-income families in Torrance County, by authorizing the Town of Mountainair Housing Authority to operate public housing assistance programs within the geographical boundaries of Torrance County. The agreement has no expiration date. There were no contributions made by the Village during the year and audit responsibility lies with the Authority.

The City of Moriarty along with the County of Torrance, the Village of Willard, the Town of Mountainair and the Town of Estancia entered into a joint powers agreement to form the Torrance

4. DETAILED NOTES ON ALL FUNDS (Continued)

County Emergency Communication 911 District. The E-911 District is the responsible party for operations and the audit of its records. The agreement is valid for the fiscal year. The City of Moriarty made monthly payments for this service, which totaled \$62,385.

A Joint Powers Agreement between the City and the Energy, Minerals and Nature Resources Department, Forestry Division (EMNRD) for Wildland Fire Protection and Suppression was entered on July 13, 2007. The agreement commits the two entities to mutual wildland fire suppression and management assistance and cooperation. The City and EMNRD may provide reimbursable assistance to each other. The agreement is for a term of five years but may be terminated at any time. Each entity is responsible for an audit of their records.

Related Party Transactions

The City paid \$19,725 for supplies to Hart's Homecenter, which is owned by Councilor Ted Hart and \$18,594 to Moriarty Pipe and Supply, which is co-owned by Councilor Larry Irvin. The City also paid \$710 to Fischer Electric, which is owned by the husband of the City Clerk.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2007
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Cemetery Fund

To account for the operations and maintenance of the City's Cemetery. Financing is provided by vault and lot sales, services related to burials, and donations.

Emergency Medical Service (EMS) Fund

The EMS Special Revenue Fund, authorized by State Statute Chapter 178, Laws of 1978, is used to account for all rescue operations within the fire department. Financing is provided by a state grant and subsidized by the General Fund.

Fire Protection Fund

The Fire Special Revenue Fund, authorized by the State Statute Chapter 48, Section 2, Laws of 1963, is used to account for the operations of the Fire Department. Financing is provided by the State Fire Allotment, emergency medical services, interest on investments and miscellaneous revenues.

Juvenile Recreation Fund

The Recreations Special Revenue Fund, authorized by State Statute (7-12-15), is used to account for the operations and maintenance of the parks and other recreation type activities. Financing is provided by a cigarette tax, grants, interests on investments and miscellaneous revenues.

Enforcement Protection Fund

The Law Enforcement Special Revenue Fund, authorized by State Statute Chapter 289, Laws of 1983, is used to account for the purchase of vehicles, radios, and equipment for the police department. Financing is provided by a grant from the State of New Mexico.

Lodgers Tax Fund

To account for revenues and expenditures per the Lodger's Tax Ordinance 500 of the City. Funds are restricted to the economic development of the City.

Airport Fund

To account for revenues received from hanger rents and a grant for improvements. Expenditures from the fund may be used for purchasing, maintaining or operating the airports and improvements on runways.

Street Fund is used to account for revenues received from the levy of a tax per gallon of gasoline purchased within the City boundaries, pursuant to the County and Municipal Gasoline Tax Act, NMSA 7-21-1; the City portion of the auto license fees; an infrastructure grant; and a highway co-op agreement. Expenditures from the fund may be used for bridge and road projects on transit routes; for purchasing, maintaining or operating transit facilities; for operating a transit authority; for operating a vehicle emissions inspection program; or for road, street or highway construction, repair or maintenance on transit routes

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2007
NONMAJOR GOVERNMENTAL FUNDS**

DEBT SERVICE FUNDS

Debt Service Civic Center

The Debt Service Civic Center is used to account for the payments of principal and interest on the debt for the Civic Center

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

ASSETS	Special Revenue					Special Revenue			Debt Service Civic Center	Total Nonmajor Governmental Funds
	Cemetery Fund	EMS Fund	Fire Protection Fund	Juvenile Recreation Fund	Enforcement Protection Fund	Lodgers Tax Fund	Airport Fund	Street Fund		
Cash	\$ 3,271	\$ -	\$ -	\$ 7,582	\$ -	\$ 114,464	\$ 104,677	\$ 184,190	\$ -	\$ 414,184
Investments - restricted	-	-	14,889	-	-	-	-	-	229,614	14,889
Accounts receivable	-	-	-	583	-	18,446	16,008	21,591	-	56,628
Total assets	\$ 3,271	\$ -	\$ 14,889	\$ 8,165	\$ -	\$ 132,910	\$ 120,685	\$ 205,781	\$ 229,614	\$ 485,701
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 215	\$ -	\$ 3	\$ -	\$ -	\$ 4,533	\$ 21,755	\$ 8,522	\$ -	\$ 35,028
Deferred Revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	215	-	3	-	-	4,533	21,755	8,522	-	35,028
Fund balances:										
Unreserved	-	-	-	-	-	-	-	-	-	-
Special revenue	3,056	-	14,886	8,165	-	128,377	98,930	197,259	-	450,673
Reserved	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	229,614	-
Total fund balances	3,056	-	14,886	8,165	-	128,377	98,930	197,259	229,614	680,287
Total liabilities and fund balances	\$ 3,271	\$ -	\$ 14,889	\$ 8,165	\$ -	\$ 132,910	\$ 120,685	\$ 205,781	\$ 229,614	\$ 715,315

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue				
	Cemetery Fund	EMS Fund	Fire Protection Fund	Juvenile Recreation Fund	Enforcement Protection Fund
REVENUES					
Taxes					
Lodgers' tax	\$ -	\$ -	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-	6,646	-
Licenses and permits	6,425	-	-	-	-
Intergovernmental	-	13,441	65,438	-	29,500
Rents and royalties	-	-	-	-	-
Other	3,125	-	-	-	-
Investment	-	-	1,665	-	-
Total revenues	<u>9,550</u>	<u>13,441</u>	<u>67,103</u>	<u>6,646</u>	<u>29,500</u>
EXPENDITURES					
Current:					
Public safety	-	14,022	60,650	-	7,642
Culture and recreation	-	-	-	2,884	-
Health and welfare	10,830	-	-	-	-
Highways and streets	-	-	-	-	-
Debt service:					
Principal	-	-	17,670	-	18,471
Interest	-	-	1,621	-	4,125
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10,830</u>	<u>14,022</u>	<u>79,941</u>	<u>2,884</u>	<u>30,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,280)</u>	<u>(581)</u>	<u>(12,838)</u>	<u>3,762</u>	<u>(738)</u>
Other financing sources (uses):					
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,280)</u>	<u>(581)</u>	<u>(12,838)</u>	<u>3,762</u>	<u>(738)</u>
Fund balances, beginning of year	<u>4,336</u>	<u>581</u>	<u>27,724</u>	<u>4,403</u>	<u>738</u>
Fund balances, end of year	<u>\$ 3,056</u>	<u>\$ -</u>	<u>\$ 14,886</u>	<u>\$ 8,165</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

<u>Special Revenue</u>				<u>Debt Service Civic Center</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Lodgers Tax Fund</u>	<u>Airport Fund</u>	<u>Street Fund</u>	<u>Total</u>		
\$ 197,024	-	\$ -	\$ 197,024	\$ -	\$ 197,024
-	-	282,463	289,109	-	289,109
-	-	-	6,425	-	6,425
-	50,676	30,000	189,055	-	189,055
11,369	37,302	-	48,671	-	48,671
-	-	23,036	26,161	-	26,161
-	-	-	1,665	-	1,665
<u>208,393</u>	<u>87,978</u>	<u>335,499</u>	<u>758,110</u>	<u>-</u>	<u>758,110</u>
-	-	-	-	-	-
-	-	-	82,314	-	82,314
73,798	-	-	76,682	4,078	80,760
-	51,880	-	62,710	-	62,710
-	-	290,260	290,260	-	290,260
-	-	-	36,141	83,351	119,492
-	-	-	5,746	82,009	87,755
-	29,206	31,047	60,253	-	60,253
<u>73,798</u>	<u>81,086</u>	<u>321,307</u>	<u>614,106</u>	<u>169,438</u>	<u>783,544</u>
<u>134,595</u>	<u>6,892</u>	<u>14,192</u>	<u>144,004</u>	<u>(169,438)</u>	<u>(25,434)</u>
<u>(105,000)</u>	<u>-</u>	<u>(103,276)</u>	<u>(208,276)</u>	<u>165,360</u>	<u>(42,916)</u>
<u>(105,000)</u>	<u>-</u>	<u>(103,276)</u>	<u>(208,276)</u>	<u>165,360</u>	<u>(42,916)</u>
29,595	6,892	(89,084)	(64,272)	(4,078)	(68,350)
<u>98,782</u>	<u>92,038</u>	<u>286,343</u>	<u>514,945</u>	<u>233,692</u>	<u>748,637</u>
<u>\$ 128,377</u>	<u>\$ 98,930</u>	<u>\$ 197,259</u>	<u>\$ 450,673</u>	<u>\$ 229,614</u>	<u>\$ 680,287</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
CEMETERY FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 3,500	\$ 3,500	\$ 6,425	\$ 2,925
Other	3,100	3,100	3,125	25
Total revenues	<u>6,600</u>	<u>6,600</u>	<u>9,550</u>	<u>2,950</u>
EXPENDITURES				
Current:				
Health and welfare	6,601	10,832	10,379	453
Capital Outlay	(1)	(1)	-	(1)
Total expenditures	<u>6,600</u>	<u>10,831</u>	<u>10,379</u>	<u>453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (4,231)</u>	<u>\$ (829)</u>	<u>\$ 3,403</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (4,231)</u>	<u>\$ (829)</u>	<u>\$ 3,403</u>
Beginning cash balance	<u>\$ 5,002</u>	<u>\$ 5,002</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(829)	
Change in payables			(451)	
Net change in fund balances GAAP basis			<u>\$(1,280)</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
EMS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 13,374	\$ 13,374	\$ 13,441	\$ 67
Total revenues	<u>13,374</u>	<u>13,374</u>	<u>13,441</u>	<u>67</u>
EXPENDITURES				
Current:				
Public safety	<u>13,970</u>	<u>14,063</u>	<u>14,022</u>	<u>41</u>
Total expenditures	<u>13,970</u>	<u>14,063</u>	<u>14,022</u>	<u>41</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (596)</u>	<u>\$ (689)</u>	<u>\$ (581)</u>	<u>\$ 108</u>
Beginning cash balance	<u>\$ 597</u>	<u>\$ 597</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
FIRE PROTECTION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 65,438	\$ 65,438	\$ 65,438	\$ -
Interest	<u>-</u>	<u>-</u>	<u>1,665</u>	<u>1,665</u>
Total revenues	<u>65,438</u>	<u>65,438</u>	<u>67,103</u>	<u>1,665</u>
EXPENDITURES				
Current:				
Public safety	59,795	59,795	60,650	(855)
Debt service:				
Principal	-	7,080	17,670	(10,590)
Interest	<u>7,081</u>	<u>1</u>	<u>1,621</u>	<u>(1,620)</u>
Total expenditures	<u>66,876</u>	<u>66,876</u>	<u>79,941</u>	<u>(13,065)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,438)</u>	<u>\$ (1,438)</u>	<u>\$ (12,838)</u>	<u>\$ (11,400)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ (1,438)</u>	<u>\$ (1,438)</u>	<u>\$ (12,838)</u>	<u>\$ (11,400)</u>
Beginning cash balance	<u>\$ 1,437</u>	<u>\$ 1,437</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUVENILE RECREATION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ <u>6,000</u>	\$ <u>6,000</u>	\$ <u>6,697</u>	\$ <u>697</u>
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>6,697</u>	<u>697</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>6,000</u>	<u>6,000</u>	<u>2,884</u>	<u>3,116</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>2,884</u>	<u>3,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,813</u>	<u>\$ 3,813</u>
Beginning cash balance	<u>\$ 3,769</u>	<u>\$ 3,769</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 3,813	
Change in receivables			(51)	
Net change in fund balances GAAP basis			<u>\$ 3,762</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 26,000	\$ 26,000	\$ 29,500	\$ 3,500
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>29,500</u>	<u>3,500</u>
EXPENDITURES				
Current:				
Public safety	6,738	7,642	7,642	-
Debt service:				
Principal	-	18,471	18,471	-
Interest	-	4,125	4,125	-
Capital Outlay	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>26,738</u>	<u>30,238</u>	<u>30,238</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (738)</u>	<u>\$ (4,238)</u>	<u>\$ (738)</u>	<u>\$ 3,500</u>
 Beginning cash balance	 <u>\$ 738</u>	 <u>\$ 738</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
LODGERS TAX FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 175,000	\$ 175,000	\$ 193,118	\$ 18,118
Rents and royalties	<u>8,400</u>	<u>8,400</u>	<u>11,369</u>	<u>2,969</u>
Total revenues	<u>183,400</u>	<u>183,400</u>	<u>204,487</u>	<u>21,087</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>78,400</u>	<u>98,400</u>	<u>73,798</u>	<u>24,602</u>
Total expenditures	<u>78,400</u>	<u>98,400</u>	<u>73,798</u>	<u>24,602</u>
Excess (deficiency) of revenues over expenditures	<u>105,000</u>	<u>85,000</u>	<u>130,689</u>	<u>45,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(105,000)</u>	<u>(105,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(105,000)</u>	<u>(105,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 105,000</u>	<u>\$ 85,000</u>	<u>\$ 25,689</u>	<u>\$ (59,311)</u>
Beginning cash balance	<u>\$ 92,068</u>	<u>\$ 92,068</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 25,689	
Change in receivables			<u>3,906</u>	
Net change in fund balances GAAP basis			<u>\$ 29,595</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
AIRPORT FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	Final	Final	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Grants	\$ 461,250	\$ 461,250	\$ 50,676	(410,574)
Rents and royalties	<u>36,580</u>	<u>36,580</u>	<u>37,302</u>	<u>722</u>
Total revenues	<u>497,830</u>	<u>497,830</u>	<u>87,978</u>	<u>(409,852)</u>
EXPENDITURES				
Current:				
Health and welfare	36,580	36,580	33,485	3,095
Capital Outlay	<u>478,125</u>	<u>478,125</u>	<u>29,206</u>	<u>448,919</u>
Total expenditures	<u>514,705</u>	<u>514,705</u>	<u>62,691</u>	<u>452,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (16,875)</u>	<u>\$ (16,875)</u>	<u>\$ 25,287</u>	<u>\$ 42,162</u>
Beginning cash balance	<u>\$ 92,398</u>	<u>\$ 92,398</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 25,287	
Change in payables			<u>(18,395)</u>	
Net change in fund balances GAAP basis			<u>\$ 6,892</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
STREET FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 369,153	\$ 369,153	\$ 297,198	\$(71,955)
Other	-	-	23,036	23,036
Total revenues	<u>369,153</u>	<u>369,153</u>	<u>320,234</u>	<u>(48,919)</u>
EXPENDITURES				
Current operations:				
Highway and streets	353,031	353,031	314,856	38,175
Capital Outlay	<u>324,000</u>	<u>324,000</u>	<u>31,047</u>	<u>292,953</u>
Total expenditures	<u>677,031</u>	<u>677,031</u>	<u>345,903</u>	<u>331,128</u>
Excess (deficiency) of revenues over expenditures	<u>(307,878)</u>	<u>(307,878)</u>	<u>(25,669)</u>	<u>282,209</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	(103,276)	(103,276)
Legislative Allotment	<u>300,000</u>	<u>300,000</u>	<u>30,000</u>	<u>(270,000)</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>(73,276)</u>	<u>(373,276)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(7,878)</u>	<u>\$(7,878)</u>	<u>\$(98,945)</u>	<u>\$(91,067)</u>
Beginning cash balance	<u>\$ 283,135</u>	<u>\$ 283,135</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(98,945)	
Change in receivables			(14,735)	
Change in payables			<u>24,596</u>	
Net change in fund balances GAAP basis			<u>\$(89,084)</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
CAPITAL PROJECTS POLICE FACILITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 15,000	\$ 15,000	\$ 15,214	\$ 214
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>15,214</u>	<u>214</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>505,123</u>	<u>505,123</u>	<u>30,451</u>	<u>474,672</u>
Total expenditures	<u>505,123</u>	<u>505,123</u>	<u>30,451</u>	<u>474,672</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(490,123)</u>	<u>\$(490,123)</u>	<u>\$(15,237)</u>	<u>\$ 474,886</u>
Beginning cash balance	<u>\$ 490,123</u>	<u>\$ 490,123</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(15,237)	
Change in payables			(10,436)	
Net change in fund balances GAAP basis			<u>\$(25,673)</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
CAPITAL PROJECTS CDBG STORM DRAIN
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,265,287	\$ 1,265,287	\$ 1,052,000	\$(213,287)
Grants	<u>-</u>	<u>-</u>	<u>56,491</u>	<u>56,491</u>
Total revenues	<u>1,265,287</u>	<u>1,265,287</u>	<u>1,108,491</u>	<u>(213,287)</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>1,477,872</u>	<u>1,477,872</u>	<u>1,247,931</u>	<u>229,941</u>
Total expenditures	<u>1,477,872</u>	<u>1,477,872</u>	<u>1,247,931</u>	<u>229,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,585)</u>	<u>(212,585)</u>	<u>(139,440)</u>	<u>73,145</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>103,276</u>	<u>103,276</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>103,276</u>	<u>103,276</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(212,585)</u>	<u>\$(212,585)</u>	<u>\$(36,164)</u>	<u>\$ 176,421</u>
Beginning cash balance	<u>\$ 109,309</u>	<u>\$ 109,309</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(36,164)	
Change in payables			164,332	
Change in receivables			<u>(146,329)</u>	
Net change in fund balances GAAP basis			<u>\$(18,161)</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
CAPITAL PROJECTS DWI PARK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 428,800	\$ 428,800	\$ 167,636	\$(261,164)
Total revenues	<u>428,800</u>	<u>428,800</u>	<u>167,636</u>	<u>(261,164)</u>
EXPENDITURES				
Current:				
Capital Outlay	<u>428,800</u>	<u>428,800</u>	<u>177,248</u>	<u>251,552</u>
Total expenditures	<u>428,800</u>	<u>428,800</u>	<u>177,248</u>	<u>251,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(9,612)</u>	<u>(9,612)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>114,849</u>	<u>114,849</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>114,849</u>	<u>114,849</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,237</u>	<u>\$ 105,237</u>
Beginning cash balance	<u>\$ 2,787</u>	<u>\$ 2,787</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
DEBT SERVICE CIVIC CENTER
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
Culture and recreation	3,761	3,761	4,078	(317)
Debt service:				
Principal	78,058	78,058	83,351	(5,293)
Interest	83,352	83,541	82,009	1,532
Total expenditures	165,171	165,360	169,438	(4,078)
Excess (deficiency) of revenues over (under) expenditures	(165,171)	(165,360)	(169,438)	(4,078)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	165,360	165,360
Total other financing sources (uses)	-	-	165,360	165,360
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$(165,171)	\$(165,360)	\$(4,078)	\$ 161,282
Beginning cash and investments	\$ 233,692	\$ 233,692		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
PROPRIETARY FUNDS - WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 385,623	\$ 385,623	\$ 387,431	\$ 1,808
Total operating revenues	<u>385,623</u>	<u>385,623</u>	<u>387,431</u>	<u>1,808</u>
Operating expenses:				
Personnel services	208,585	179,596	165,811	13,785
Contract services	13,226	25,318	25,279	39
Other operating expense	115,026	119,632	119,566	66
Capital Outlay	<u>50,000</u>	<u>60,791</u>	<u>-</u>	<u>60,791</u>
Total operating expenses	<u>386,837</u>	<u>385,337</u>	<u>310,656</u>	<u>13,890</u>
Net operating income excluding non-budgeted expenses	<u>(1,214)</u>	<u>286</u>	<u>76,775</u>	<u>76,489</u>
Non-operating revenues (expenses):				
Principal	(13,609)	(25,109)	-	
Interest	(62,718)	(52,718)	(54,000)	(1,282)
Total non-operating revenues (deductions)	<u>(76,327)</u>	<u>(77,827)</u>	<u>(54,000)</u>	<u>(1,282)</u>
Net income loss excluding non-budgeted expenses	<u>(77,541)</u>	<u>(77,541)</u>	<u>22,775</u>	<u>75,207</u>
Less non-budgeted revenues (expenses):				
Interest earned	-	-	461	461
Depreciation	-	-	(114,571)	(114,571)
Total non-budgeted revenues (expenses)	<u>-</u>	<u>-</u>	<u>(114,110)</u>	<u>(114,110)</u>
Net income (loss)	<u>\$ (77,541)</u>	<u>\$ (77,541)</u>	<u>\$ (91,335)</u>	<u>\$ (38,903)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
PROPRIETARY FUNDS - SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
Operating revenues:				
Charges for services	\$ 206,128	\$ 206,128	\$ 192,441	\$(13,687)
Total operating revenues	<u>206,128</u>	<u>206,128</u>	<u>192,441</u>	<u>(13,687)</u>
Operating expenses:				
Personnel services	48,405	48,405	48,957	(552)
Other operating expense	137,105	161,605	159,270	2,335
Capital Outlay	<u>6,000</u>	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Total operating expenses	<u>191,510</u>	<u>216,510</u>	<u>208,227</u>	<u>1,783</u>
Net operating income excluding non-budgeted expenses	<u>14,618</u>	<u>(10,382)</u>	<u>(15,786)</u>	<u>(11,904)</u>
Less non-budgeted expenses:				
Depreciation	<u>-</u>	<u>-</u>	<u>(131,956)</u>	<u>(131,956)</u>
Total non-budgeted revenues (expenses)	<u>-</u>	<u>-</u>	<u>(131,956)</u>	<u>(131,956)</u>
Capital contributions	<u>-</u>	<u>10,000</u>	<u>140,530</u>	<u>130,530</u>
Net income (loss)	<u>\$(382)</u>	<u>\$(382)</u>	<u>\$(7,212)</u>	<u>\$(13,330)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
PROPRIETARY FUNDS - SOLID WASTE DISPOSAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 367,056	\$ 370,118	\$ 442,157	\$ 72,039
Total operating revenues	<u>367,056</u>	<u>370,118</u>	<u>442,157</u>	<u>72,039</u>
Operating expenses:				
Contract services	367,056	368,118	367,617	501
Other operating expense	<u>-</u>	<u>2,000</u>	<u>2,500</u>	<u>(500)</u>
Total operating expenses	<u>367,056</u>	<u>370,118</u>	<u>370,117</u>	<u>501</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,040</u>	<u>\$ 71,538</u>

The accompanying notes are an integral part of these financial statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Adan Encinias, Mayor
City Council
City of Moriarty
Moriarty, New Mexico
and

Hector H. Balderas
New Mexico State Auditor
Santa Fe, 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 the combining and individual funds presented as supplemental information of the the City of Moriarty, New Mexico (City) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant

deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council and 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.

Pattillo, Brown & Hill LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 24, 2008

**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

A. Findings – Financial Statements Audit

Prior Year

- 2007-A Late Deposit - resolved
- 2007-B Missing W-4 - resolved
- 2007-C Employee Overpaid - resolved
- 2007-D General Journal Entries Are Not Approved - resolved
- 2007-E Uncollateralized Cash Account - resolved

Current Year

No findings

**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

EXIT CONFERENCE

An exit conference was held on November 24, 2008 at the City's offices. In attendance were Adan Encinias, Mayor; Linda Fischer, City Clerk and Margie Olivas, Deputy Clerk from the City of Moriarty. Michael Reeves, CPA was in attendance for Pattillo, Brown & Hill, L.L.P.

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the auditors, Pattillo, Brown and Hill, L.L.C., Certified Public Accountants; however the financial statements are the responsibility of the management.