

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
AUDIT REPORT  
JUNE 30, 2010**

STATE OF NEW MEXICO  
CITY OF MORIARTY  
JUNE 30, 2010

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
JUNE 30, 2010**

**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>
Ted Hart	Mayor
Steve Anaya	Councilman
Larry Irvin	Councilman
Robert Ortiz	Councilman
Dennis Shanfeldt	Councilman

**Administrative Officials**

Sheila Larranaga-Murphy	City Clerk
Linda Fischer	City Treasurer
Steve Spann	Fire Chief
Bobby Garcia	Police Chief
Mike Tapia	Public Works Director

## **FINANCIAL STATEMENTS SECTION**



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

## INDEPENDENT AUDITORS' REPORT

Ted Hart, Mayor  
City Council  
City of Moriarty  
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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and airport special revenue fund of the City of Moriarty, New Mexico (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for all the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the airport special revenue 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, 2010, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for all the 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 December 15, 2010 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
December 15, 2010



**STATE OF NEW MEXICO  
CITY OF MORIARTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Current assets:			
Cash and cash equivalents	\$ 1,059,945	\$ 116,459	\$ 1,176,404
Receivables (net of allowances for uncollectible)	585,813	132,660	718,473
Restricted cash and investments	<u>176,381</u>	<u>1,706,268</u>	<u>1,882,649</u>
Total current assets	<u>1,822,139</u>	<u>1,955,387</u>	<u>3,777,526</u>
Noncurrent assets:			
Capital assets not being depreciated			
Land	1,792,451	945,808	2,738,259
Construction in progress	785,405	1,104,324	1,889,729
Capital assets being depreciated, net	<u>13,870,350</u>	<u>4,671,733</u>	<u>18,542,083</u>
Total capital assets	<u>16,448,206</u>	<u>6,721,865</u>	<u>23,170,071</u>
Total noncurrent assets	<u>16,448,206</u>	<u>6,721,865</u>	<u>23,170,071</u>
Other assets:			
Bond issue costs	<u>-</u>	<u>21,511</u>	<u>21,511</u>
Total other assets	<u>-</u>	<u>21,511</u>	<u>21,511</u>
Total assets	<u>\$ 18,270,345</u>	<u>\$ 8,698,763</u>	<u>\$ 26,969,108</u>

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

<b>LIABILITIES</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current liabilities:</b>			
Accounts payable	\$ 236,801	\$ 332,791	\$ 569,592
Accrued payroll expenses	6,235	5,340	11,575
Meter deposits	-	72,834	72,834
Accrued interest payable	5,442	52,473	57,915
Internal balances	( 13,492)	13,492	-
Current portion long term debt	116,867	60,466	177,333
<b>Total current liabilities</b>	<u>351,853</u>	<u>537,396</u>	<u>889,249</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	57,985	10,742	68,727
Loan payable	1,201,606	222,757	1,424,363
Bonds payable	-	2,813,800	2,813,800
<b>Total noncurrent liabilities</b>	<u>1,259,591</u>	<u>3,047,299</u>	<u>4,306,890</u>
<b>Total liabilities</b>	<u>1,611,444</u>	<u>3,584,695</u>	<u>5,196,139</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,135,149	3,572,369	18,707,518
Restricted for:			
Debt service	247,775	1,633,434	1,881,209
Capital projects	440,392	-	440,392
Unrestricted	835,585	( 91,735)	743,850
<b>Total net assets</b>	<u>\$ 16,658,901</u>	<u>\$ 5,114,068</u>	<u>\$ 21,772,969</u>

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

<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>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 911,788	\$ 83,430	\$ 59,073	\$ 152,398
Public safety	1,113,929	24,220	148,524	264,659
Culture and recreation	595,981	26,775	15,552	-
Health and welfare	194,796	-	-	-
Highways and streets	435,213	28,663	-	2,443,053
Interest on long-term debt	71,199	-	-	-
Total governmental activities	<u>3,322,906</u>	<u>163,088</u>	<u>223,149</u>	<u>2,860,110</u>
Business-type activities:				
Water	496,366	354,619	-	231,689
Sewer	289,795	224,051	-	-
Solid waste	328,423	315,180	-	-
Total business-type activities	<u>1,114,584</u>	<u>893,850</u>	<u>-</u>	<u>231,689</u>
Total primary government	<u>\$ 4,437,490</u>	<u>\$ 1,056,938</u>	<u>\$ 223,149</u>	<u>\$ 3,091,799</u>

General revenues:

Taxes:

    Property taxes, levied for general purposes

    State shared

    Sales

    Lodgers

    Franchise

    Insurance proceeds

    Investment earnings

Transfers

    Total general revenues

    Change in net assets

Net assets, beginning

    Restatement

Net assets, as restated

Net assets, ending

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

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

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$( 616,887)	\$ -	\$( 616,887)
( 676,526)	-	( 676,526)
( 553,654)	-	( 553,654)
( 194,796)	-	( 194,796)
2,036,503	-	2,036,503
( 71,199)	-	( 71,199)
<u>( 76,559)</u>	<u>-</u>	<u>( 76,559)</u>
-	89,942	89,942
-	( 65,744)	( 65,744)
<u>-</u>	<u>( 13,243)</u>	<u>( 13,243)</u>
-	10,955	10,955
<u>( 76,559)</u>	<u>10,955</u>	<u>( 65,604)</u>
75,925	-	75,925
218,947	-	218,947
2,035,929	-	2,035,929
165,520	-	165,520
8,452	-	8,452
51,854	-	51,854
10,737	-	10,737
<u>1,938</u>	<u>( 1,938)</u>	<u>-</u>
<u>2,569,302</u>	<u>( 1,938)</u>	<u>2,567,364</u>
<u>2,492,743</u>	<u>9,017</u>	<u>2,501,760</u>
14,174,809	5,105,051	19,279,860
<u>( 8,651)</u>	<u>-</u>	<u>( 8,651)</u>
<u>14,166,158</u>	<u>5,105,051</u>	<u>19,271,209</u>
<u>\$ 16,658,901</u>	<u>\$ 5,114,068</u>	<u>\$ 21,772,969</u>

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

<b>ASSETS</b>	<b>General</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash	\$ 593,751	\$ 56,988	\$ 409,206	\$ 1,059,945
Investments - restricted	11,130	-	165,251	176,381
Accounts receivable (net of allowance)	162,727	-	423,086	585,813
Due from other funds	31,951	-	-	31,951
<b>Total assets</b>	<b>\$ 799,559</b>	<b>\$ 56,988</b>	<b>\$ 997,543</b>	<b>\$ 1,854,090</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 26,360	\$ 57,231	\$ 153,210	\$ 236,801
Accrued payroll liabilities	6,235	-	-	6,235
Due to other funds	-	-	18,459	18,459
Deferred revenue	-	-	125,781	125,781
<b>Total liabilities</b>	<b>32,595</b>	<b>57,231</b>	<b>297,450</b>	<b>387,276</b>
<b>Fund balances:</b>				
Reserved for:				
Capital projects	-	-	314,611	314,611
Debt service	-	-	247,775	247,775
Unreserved, reported in:				
General fund	766,964	-	-	766,964
Special revenue funds	-	( 243)	137,707	137,464
<b>Total fund balances</b>	<b>766,964</b>	<b>( 243)</b>	<b>700,093</b>	<b>1,466,814</b>
<b>Total liabilities and fund balances</b>	<b>\$ 799,559</b>	<b>\$ 56,988</b>	<b>\$ 997,543</b>	

Long term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. ( 1,381,900)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 16,448,206

Recognition of deferred revenue is reflected on the full accrual basis in the statement of net assets. 125,781

Net assets of governmental activities **\$ 16,658,901**

**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, 2010**

	<u>General</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Gross receipts tax	\$ 2,035,929	\$ -	\$ -	\$ 2,035,929
Property taxes	75,925	-	-	75,925
Lodgers' tax	-	-	165,520	165,520
Other state shared taxes	34,993	-	183,954	218,947
Franchise taxes	8,452	-	-	8,452
Licenses and permits	14,015	-	3,275	17,290
Intergovernmental	120,922	1,939,811	988,849	3,049,582
Fines and forfeitures	11,495	-	-	11,495
Charges for services	13,916	-	-	13,916
Rents and royalties	51,178	28,287	13,684	93,149
Other	20,487	376	58,229	79,092
Investment	5,248	-	5,489	10,737
<b>Total revenues</b>	<u>2,392,560</u>	<u>1,968,474</u>	<u>1,419,000</u>	<u>5,780,034</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	583,040	-	-	583,040
Public safety	919,976	-	121,203	1,041,179
Culture and recreation	312,238	-	104,645	416,883
Health and welfare	193,299	-	6,961	200,260
Highways and streets	-	53,678	189,360	243,038
<b>Debt service:</b>				
Principal	14,802	-	113,202	128,004
Interest	1,088	-	71,253	72,341
<b>Capital outlay</b>	<u>16,491</u>	<u>1,983,359</u>	<u>951,526</u>	<u>2,951,376</u>
<b>Total expenditures</b>	<u>2,040,934</u>	<u>2,037,037</u>	<u>1,558,150</u>	<u>5,636,121</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>351,626</u>	<u>( 68,563)</u>	<u>( 139,150)</u>	<u>143,913</u>
<b>Other financing sources (uses):</b>				
Transfers in (out)	<u>135,674</u>	<u>-</u>	<u>( 133,736)</u>	<u>1,938</u>
<b>Total other financing sources (uses)</b>	<u>135,674</u>	<u>-</u>	<u>( 133,736)</u>	<u>1,938</u>
<b>Net change in fund balances</b>	<u>487,300</u>	<u>( 68,563)</u>	<u>( 272,886)</u>	<u>145,851</u>
<b>Fund balances, beginning of year</b>	288,315	68,320	972,979	1,329,614
Restatement	<u>( 8,651)</u>	<u>-</u>	<u>-</u>	<u>( 8,651)</u>
<b>Fund balances as restated</b>	<u>279,664</u>	<u>68,320</u>	<u>972,979</u>	<u>1,320,963</u>
<b>Fund balances, end of year</b>	<u>\$ 766,964</u>	<u>\$ ( 243)</u>	<u>\$ 700,093</u>	<u>\$ 1,466,814</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, 2010**

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

Net change in fund balances - total governmental funds	\$ 145,851
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.	2,199,985
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.	128,004
Recognition of accounts receivable and deferred revenues is reflected on the full accrual basis within the statement of activities. The City has recognized the prior year deferred revenues and deferred current year revenues within the governmental funds. This adjustment combines the net change of balances	33,677
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.	( 14,774)
Change in net assets of governmental activities	<u>\$ 2,492,743</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Gross receipts tax	\$ 1,994,000	\$ 1,898,338	\$ 2,009,832	\$ 111,494
Property taxes	66,569	66,569	76,900	10,331
Other state shared taxes	34,100	34,100	34,747	647
Franchise taxes	10,500	10,500	8,525	( 1,975)
Licenses and permits	11,300	11,300	14,015	2,715
Intergovernmental	109,300	109,300	139,661	30,361
Fines & forfeitures	19,000	19,000	12,278	( 6,722)
Charges for services	7,150	7,150	13,916	6,766
Rents and royalties	51,956	51,956	51,178	( 778)
Other	13,000	13,000	20,487	7,487
Investment	8,500	8,500	5,248	( 3,252)
<b>Total revenues</b>	<u>2,325,375</u>	<u>2,229,713</u>	<u>2,386,787</u>	<u>157,074</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	640,358	625,594	584,191	41,403
Public safety	1,024,261	949,119	929,806	19,313
Culture and recreation	390,397	364,775	312,238	52,537
Health and welfare	206,732	203,784	193,299	10,485
<b>Debt Service</b>				
Principal	-	14,802	14,802	-
Interest	-	1,088	1,088	-
<b>Capital Outlay</b>	<u>16,120</u>	<u>30,924</u>	<u>16,491</u>	<u>14,433</u>
<b>Total expenditures</b>	<u>2,277,868</u>	<u>2,190,086</u>	<u>2,051,915</u>	<u>138,171</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>47,507</u>	<u>39,627</u>	<u>334,872</u>	<u>295,245</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	( 16,182)	982	135,674	134,692
<b>Total other financing sources (uses)</b>	<u>( 16,182)</u>	<u>982</u>	<u>135,674</u>	<u>134,692</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$ 31,325</u>	<u>\$ 40,609</u>	<u>\$ 470,546</u>	<u>\$ 429,937</u>
Beginning cash balance	<u>\$ 255,167</u>	<u>\$ 255,167</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
<b>Net increase (decrease) in fund balances budget basis</b>			\$ 470,546	
<b>Change in receivables</b>			5,773	
<b>Change in prepaid expense</b>			( 3,077)	
<b>Change in payables</b>			20,293	
<b>Change in accrued payroll liabilities</b>			( 6,235)	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 487,300</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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 2,666,206	\$ 2,666,206	\$ 1,939,811	\$( 726,395)
Rents and royalties	45,000	45,000	28,287	( 16,713)
Other	<u>-</u>	<u>-</u>	<u>376</u>	<u>376</u>
<b>Total revenues</b>	<u>2,711,206</u>	<u>2,711,206</u>	<u>1,968,474</u>	<u>( 742,732)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Highways and streets	35,689	35,689	53,678	( 17,989)
<b>Capital Outlay</b>	<u>2,740,468</u>	<u>2,740,468</u>	<u>1,983,359</u>	<u>757,109</u>
<b>Total expenditures</b>	<u>2,776,157</u>	<u>2,776,157</u>	<u>2,037,037</u>	<u>739,120</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$( 64,951)</u>	<u>\$( 64,951)</u>	<u>\$( 68,563)</u>	<u>\$( 3,612)</u>
Beginning cash balance	<u>\$ 69,778</u>	<u>\$ 69,778</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, 2010**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	\$ 34,726	\$ 41,261	\$ 40,472	\$ 116,459
Accounts receivable (net of allowance for uncollectible)	75,340	29,020	28,300	132,660
Due from other funds	-	-	-	-
<b>Total current assets</b>	<u>110,066</u>	<u>70,281</u>	<u>68,772</u>	<u>249,119</u>
<b>Noncurrent assets:</b>				
Restricted assets:				
Cash and investments - meter deposits	36,417	36,417	-	72,834
Cash and investments - bond proceeds and reserves	140,274	1,493,160	-	1,633,434
Total restricted assets	<u>176,691</u>	<u>1,529,577</u>	<u>-</u>	<u>1,706,268</u>
Capital assets:				
Non-depreciable assets				
Land	587,201	357,807	800	945,808
Construction in progress	219,796	884,528	-	1,104,324
Depreciable assets, net	<u>2,640,038</u>	<u>2,031,695</u>	<u>-</u>	<u>4,671,733</u>
Total capital assets	3,447,035	3,274,030	800	6,721,865
Other assets-bond issue costs	-	21,511	-	21,511
<b>Total noncurrent assets</b>	<u>3,623,726</u>	<u>4,825,118</u>	<u>800</u>	<u>8,449,644</u>
<b>Total assets</b>	<u>\$ 3,733,792</u>	<u>\$ 4,895,399</u>	<u>\$ 69,572</u>	<u>\$ 8,698,763</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 18,892	\$ 288,745	\$ 25,154	\$ 332,791
Due to other funds	13,492	-	-	13,492
Accrued payroll expenses	4,915	425	-	5,340
Meter deposits	36,417	36,417	-	72,834
Accrued interest	39,453	13,020	-	52,473
Current portion of long term debt	34,266	26,200	-	60,466
<b>Total current liabilities</b>	<u>147,435</u>	<u>364,807</u>	<u>25,154</u>	<u>537,396</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	10,742	-	-	10,742
Loan payable	222,757	-	-	222,757
Revenue bond	970,000	1,843,800	-	2,813,800
<b>Total noncurrent liabilities</b>	<u>1,203,499</u>	<u>1,843,800</u>	<u>-</u>	<u>3,047,299</u>
<b>Total liabilities</b>	<u>1,350,934</u>	<u>2,208,607</u>	<u>25,154</u>	<u>3,584,695</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,180,559	1,430,230	800	3,611,589
Restricted for debt service	140,274	1,493,160	-	1,633,434
Unrestricted	<u>62,025</u>	<u>( 236,598)</u>	<u>43,618</u>	<u>( 130,955)</u>
<b>Total net assets</b>	<u>\$ 2,382,858</u>	<u>\$ 2,686,792</u>	<u>\$ 44,418</u>	<u>\$ 5,114,068</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, 2010**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 354,619	\$ 224,021	\$ 315,180	\$ 893,820
Miscellaneous	-	30	-	30
<b>Total operating revenues</b>	<u>354,619</u>	<u>224,051</u>	<u>315,180</u>	<u>893,850</u>
<b>Operating expenses:</b>				
Personnel services	194,313	38,235	-	232,548
Depreciation	117,332	96,296	-	213,628
Contract services	6,584	-	326,922	333,506
Other operating expense	127,649	142,244	1,501	271,394
<b>Total operating expenses</b>	<u>445,878</u>	<u>276,775</u>	<u>328,423</u>	<u>1,051,076</u>
<b>Operating income (loss)</b>	<u>( 91,259)</u>	<u>( 52,724)</u>	<u>( 13,243)</u>	<u>( 157,226)</u>
<b>Non-operating revenues (expenses):</b>				
Interest	<u>( 50,488)</u>	<u>( 13,020)</u>	<u>-</u>	<u>( 63,508)</u>
<b>Total non-operating revenues (expenses)</b>	<u>( 50,488)</u>	<u>( 13,020)</u>	<u>-</u>	<u>( 63,508)</u>
<b>Income (loss) before contributions and transfers</b>	<u>( 141,747)</u>	<u>( 65,744)</u>	<u>( 13,243)</u>	<u>( 220,734)</u>
<b>Other financing sources (uses):</b>				
Capital contributions	231,689	-	-	231,689
Transfers in (out)	<u>26,304</u>	<u>( 35,991)</u>	<u>7,749</u>	<u>( 1,938)</u>
	<u>257,993</u>	<u>( 35,991)</u>	<u>7,749</u>	<u>229,751</u>
<b>Change in net assets</b>	<u>116,246</u>	<u>( 101,735)</u>	<u>( 5,494)</u>	<u>9,017</u>
<b>Total net assets - beginning</b>	<u>2,266,612</u>	<u>2,788,527</u>	<u>49,912</u>	<u>5,105,051</u>
<b>Total net assets - ending</b>	<u>\$ 2,382,858</u>	<u>\$ 2,686,792</u>	<u>\$ 44,418</u>	<u>\$ 5,114,068</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, 2010**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 307,020	\$ 222,893	\$ 313,502	\$ 843,415
Payments to employees for services	(198,052)	(44,890)	-	(242,942)
Payments to suppliers for goods and services	(123,258)	135,837	(329,826)	(317,247)
Net cash provided (used) by operating activities	<u>(14,290)</u>	<u>313,840</u>	<u>(16,324)</u>	<u>283,226</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	(757)	(35,991)	7,749	(28,999)
Transfers from other funds	39,796	-	-	39,796
Net cash provided (used) by capital and related activities	<u>39,039</u>	<u>(35,991)</u>	<u>7,749</u>	<u>10,797</u>
<b>Cash flows from capital and related financing activities</b>				
Capital Contributions	231,689	-	-	231,689
Bond proceeds	-	1,843,800	-	1,843,800
Acquisition of fixed assets	(203,858)	(591,732)	-	(795,590)
Bond issue costs	-	(21,511)	-	(21,511)
Principal paid on debt	(34,108)	26,200	-	(7,908)
Interest paid on debt	(51,291)	-	-	(51,291)
Net cash provided (used) by capital and related activities	<u>(57,568)</u>	<u>1,256,757</u>	<u>-</u>	<u>1,199,189</u>
<b>Cash flows from investing activities</b>				
Transfer (to) from restricted cash	(21,143)	(1,493,345)	-	(1,514,488)
Net cash provided by investing activities	<u>(21,143)</u>	<u>(1,493,345)</u>	<u>-</u>	<u>(1,514,488)</u>
Net increase in cash and cash equivalents	(53,962)	41,261	(8,575)	(21,276)
Cash and equivalents beginning of year	88,688	-	49,047	137,735
Cash and equivalents end of year	<u>\$ 34,726</u>	<u>\$ 41,261</u>	<u>\$ 40,472</u>	<u>\$ 116,459</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$( 91,259)	\$( 52,724)	\$( 13,243)	\$( 157,226)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	117,332	96,296	-	213,628
Change in assets and liabilities:				
Receivables, net	(47,784)	(1,343)	(212)	( 49,339)
Customer deposits	185	185	-	370
Accounts and other payables	10,975	278,081	( 2,869)	286,187
Accrued expenses	( 3,739)	( 6,655)	-	( 10,394)
Net cash provided by operating activities	<u>\$( 14,290)</u>	<u>\$ 313,840</u>	<u>\$( 16,324)</u>	<u>\$ 283,226</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, 2010**

**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 **Special Revenue Airport Fund** is used to account for revenues received from hanger rents and grants for airport improvements. Expenditures from the fund may be used for purchasing, maintaining or operating the airports and improvements on runways.

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.

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.

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

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

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**

**Cash Equivalents and Investments**

Cash and investments include amounts in demand deposits, certificates of deposit and investments. All amounts included in pooled cash and investments with an original maturity of 90 days or less are considered to be cash equivalents for the purposes of the statement of cash flows. Investments are stated at fair market value.

**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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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



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

### D. Assets, Liabilities, and Net Assets or Equity (Continued)

#### **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.

#### **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.

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

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

**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.

**Statement of Cash Flows**

For purposes of the statement of cash flows, all cash and certificates of deposits with a maturity of less than three months are considered cash and cash equivalents.

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. 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:

Loan payable - long term	\$ 1,318,473
Accrued interest payable	5,442
Compensated absences	<u>57,985</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 1,381,900</u>

**B. 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:

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

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities** (Continued)

Capital outlay	\$ 2,951,376
Depreciation expense	<u>(751,391)</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>\$ 2,199,985</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:

Principal repayments:	
Loan payable	\$ (106,877)
Lease payable	<u>(21,127)</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>\$ (128,004)</u>

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) decrease	\$ (3,916)
Amortization of Economic Development Credit	(12,000)
Accrued interest - (increase) decrease	<u>1,142</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>\$ (14,774)</u>

### **3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. 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.
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 2009 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.

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

**Deposits and Investments** (Continued)

At June 30, 2010, 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, 2010, 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.

	Balance Per Bank 6/30/2010	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6/30/2010
<b>Wells Fargo</b>					
Checking Accounts					
Operating	372,103	-	(194,960)	(461)	176,682
Water & Sewer Trust	46,616	-	(627)	-	45,989
Revenue Bond & Interest	56,292	25,900	-	-	82,192
WWTP Construction	34	-	-	(34)	-
<b>First Community Bank</b>					
Checking	519,733	-	-	-	519,733
Checking	452,050	5,198	-	-	457,248
<b>New Mexico Finance Authority</b>					
Debt Service Accounts	89,294	-	-	-	89,294
<b>Bank of Albuquerque</b>					
Loan Reserve Accounts	194,455	-	-	-	194,455
<b>USDA</b>					
Revenue Bond Proceeds	1,493,160	-	-	-	1,493,160
Total Cash in Banks	<u>\$ 3,223,737</u>	<u>\$ 31,098</u>	<u>\$ (195,587)</u>	<u>\$ (495)</u>	3,058,753
Plus Cash on Hand					300
					<u>\$ 3,059,053</u>

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

##### Deposits and Investments (Continued)

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.

##### Pledged Collateral at Banks

	Wells Fargo Bank	First Community Bank	Total
Deposits	\$ 475,045	\$ 971,783	\$ 1,446,828
FDIC	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	225,045	721,783	946,828
<b>Collateral pledged:</b>			
<b>Wells Fargo Bank</b>			
<b>Minneapolis, MN</b>			
FNMA, 05/01/2036; CUSIP, 31410SBA4	384,236	-	384,236
<b>Federal Home Loan Bank</b>			
<b>Dallas, TX</b>			
Torrance Etc Cntys NM Muni; CUSIP 891400LE1	-	250,000	250,000
GNR 2010-23 LC; CUSIP 38376VL62	-	250,913	250,913
GNR 2009-58 AP; CUISP 38375D2H0	<u>-</u>	<u>370,909</u>	<u>370,909</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the City's name	<u>384,236</u>	<u>871,822</u>	<u>1,256,058</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 112,523	\$ 360,892	\$ 473,414
Pledged collateral	<u>384,236</u>	<u>871,822</u>	<u>1,256,058</u>
Over (under) collateralized	<u>\$ 271,714</u>	<u>\$ 510,931</u>	<u>\$ 782,644</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, 2010 \$946,828 of the City's bank balance of \$1,446,828 was exposed to custodial credit risk as follows:

	Wells Fargo Bank	First Community Bank	Total
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department or agent, not in the City's name	<u>225,045</u>	<u>721,783</u>	<u>946,828</u>
Total	<u>\$ 225,045</u>	<u>\$ 721,783</u>	<u>\$ 946,828</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 as follows:

Ambulance	\$ 1,832
Civic Center	82,524
Water Tower	<u>4,938</u>
Total	<u>\$ 89,294</u>

As of June 30, 2010, the City held \$194,455 in US Treasury Notes; in connection with three New Mexico Finance Authority Loan Reserve Accounts. The notes are 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, 2010 these investments were held for the following Loan Reserve Accounts:

Loan Reserve Account Civic Center	\$ 165,251
Loan Reserve Account Ambulance	11,130
Loan Reserve Account Water Tower	<u>18,074</u>
Total	<u>\$ 194,455</u>

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

**Deposits and Investments** (Continued)

Also exposed to custodial credit risk are Revenue Bond proceeds on deposit with the USDA, in the amount of \$1,493,160.

**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			
	General	Other Governmental Funds	Water	Sewer	Solid Waste	Total
Receivables:						
Customer accounts	\$ -	\$ -	\$ 34,896	\$ 29,020	\$ 28,300	\$ 92,216
Fines and fees	1,726	-	-	-	-	1,726
Property taxes	1,935	-	-	-	-	1,935
Sales tax	154,630	-	-	-	-	154,630
State shared tax	982	18,290	-	-	-	19,272
Franchise	1,756	-	-	-	-	1,756
Intergovernmental	-	386,163	42,320	-	-	428,483
Lodger's tax	-	18,633	-	-	-	18,633
Motor vehicle fees	1,698	-	-	-	-	1,698
Gross receivables	162,727	423,086	77,216	29,020	28,300	720,349
Less allowance for uncollectibles	-	-	1,876	-	-	1,876
Total	<u>\$ 162,727</u>	<u>\$ 423,086</u>	<u>\$ 75,340</u>	<u>\$ 29,020</u>	<u>\$ 28,300</u>	<u>\$ 718,473</u>



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

##### Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

##### Primary Government

	Beginning Balance	Increases	Decreases	Adjustments/ Reclassification	Ending Balance
<b>Governmental Activities:</b>					
Capital assts, not being depreciated:					
Land	\$ 1,491,053	\$ -	\$ -	\$ 301,398	\$ 1,792,451
Construction in progress	652,203	133,202	-	-	785,405
Total capital assets not being depreciated	<u>2,143,256</u>	<u>133,202</u>	<u>-</u>	<u>301,398</u>	<u>2,577,856</u>
Capital assets, being depreciated:					
Buildings and improvements	4,642,670	-	-	(507,821)	4,134,849
Furniture and equipment	1,971,962	159,981	-	117,192	2,249,135
Land improvements	5,543,935	2,361,894	-	89,231	7,995,060
Infrastructure	5,644,388	296,299	-	-	5,940,687
Total capital assets being depreciated	<u>17,802,955</u>	<u>2,818,174</u>	<u>-</u>	<u>(301,398)</u>	<u>20,319,731</u>
Less accumulated depreciation:					
Buildings and improvements	1,232,835	110,457	-	(132,183)	1,211,109
Furniture and equipment	1,327,249	138,460	-	166,804	1,632,513
Land improvements	1,909,745	350,103	-	125,533	2,385,381
Infrastructure	1,228,161	152,371	-	(160,154)	1,220,378
Total accumulated depreciation	<u>5,697,990</u>	<u>751,391</u>	<u>-</u>	<u>-</u>	<u>6,449,381</u>
Total capital assets being depreciated, net	<u>12,104,965</u>	<u>2,066,783</u>	<u>-</u>	<u>(301,398)</u>	<u>13,870,350</u>
Governmental activities capital assets, net	<u>\$ 14,248,221</u>	<u>\$ 2,199,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,448,206</u>

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

##### Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Adjustments/ Reclassification	Ending Balance
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 945,808	\$ -	\$ -	\$ -	\$ 945,808
Construction in progress	308,733	794,240	-	1,351	1,104,324
Total capital assets not being depreciated	<u>1,254,541</u>	<u>794,240</u>	<u>-</u>	<u>1,351</u>	<u>2,050,132</u>
Capital assets, being depreciated:					
Plant and distributing system	7,680,977	-	-	(2)	7,680,975
Machinery and equipment	141,804	-	-	-	141,804
Total capital assets being depreciated	<u>7,822,781</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>7,822,779</u>
Less accumulated depreciation:					
Plant and distributing system	2,781,562	207,540	-	-	2,989,102
Machinery and equipment	155,857	6,087	-	-	161,944
Total accumulated depreciation	<u>2,937,419</u>	<u>213,627</u>	<u>-</u>	<u>-</u>	<u>3,151,046</u>
Total capital assets being depreciated, net	<u>4,885,362</u>	<u>(213,627)</u>	<u>-</u>	<u>(2)</u>	<u>4,671,733</u>
Governmental activities capital assets, net	<u>\$ 6,139,903</u>	<u>\$ 580,613</u>	<u>\$ -</u>	<u>\$ 1,349</u>	<u>\$ 6,721,865</u>

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

Governmental Activities:	
General Governments	\$308,314
Public Safety	72,750
Highways and streets	191,229
Culture and recreation	<u>179,098</u>
Total depreciation expense - governmental activities	<u>\$751,391</u>
Business-type Activities:	
Water	\$117,332
Sewer	<u>96,296</u>
Total depreciation expense -business-type activities	<u>\$213,628</u>

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

**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 receivables and payables:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ 31,951	\$ -
Water Fund	-	13,492
Other governmental funds	<u>-</u>	<u>18,459</u>
<b>Total</b>	<b><u>\$ 31,951</u></b>	<b><u>\$ 31,951</u></b>

**Interfund transfers:**

	<u>Transfers out</u>					<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	
Transfers In:						
General	\$ -	\$ 192,292	\$ 10,091	\$ -	\$ 7,431	\$ 209,814
Sewer	-	-	-	-	16,657	16,657
Solid Waste	-	-	-	-	7,749	7,749
Water	-	82,293	26,304	-	-	108,597
Other governmental funds	<u>74,140</u>	<u>-</u>	<u>16,253</u>	<u>-</u>	<u>50,456</u>	<u>140,849</u>
<b>Total transfers out</b>	<b>74,140</b>	<b>274,585</b>	<b>52,648</b>	<b>-</b>	<b>82,293</b>	<b>483,666</b>
Less Transfers in	<u>209,814</u>	<u>140,849</u>	<u>16,657</u>	<u>7,749</u>	<u>108,597</u>	<u>483,666</u>
<b>Net transfers</b>	<b><u>\$ (135,674)</u></b>	<b><u>\$ 133,736</u></b>	<b><u>\$ 35,991</u></b>	<b><u>\$ (7,749)</u></b>	<b><u>\$ (26,304)</u></b>	<b><u>\$ -</u></b>

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.

**Short-term Debt**

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

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

**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. Both of the leases have been paid off as of fiscal year ending June 30, 2010.

The assets acquired through capital leases are as follows:

Assets:	
Furniture and equipment	\$ 136,032
Less accumulated depreciation	<u>124,331</u>
Total	<u>\$ 11,701</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.

**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, 2010 follows:

<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>	
<b><u>Governmental Activities</u></b>				
Loans:				
NMFA-Ambulance	\$ 111,112	2015	1.27% to 1.54%	\$ 77,154
NMFA-Civic Center	<u>1,964,962</u>	2020	4.03% to 5.45%	<u>1,241,319</u>
Total governmental activities	<u>\$ 2,076,074</u>			<u>\$ 1,318,473</u>
<b><u>Business-type Activities</u></b>				
Revenue Bonds:				
1999 Water and Sewer	\$ 1,100,000	2039	4.75%	\$ 990,000
Wastewater Treatment Plant	\$ 1,870,000	2050	2.75%	\$ 1,870,000
Loan:				
NMFA - Water Tower	<u>298,044</u>	2025	2.34% to 4.26%	<u>237,023</u>
Total business-type activities	<u>\$ 3,268,044</u>			<u>\$ 3,097,023</u>

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

**Long-term Debt** (Continued)

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	116,867	66,420	60,466	102,297
2012	112,007	61,404	61,335	100,488
2013	122,721	56,024	62,316	98,649
2014	144,600	50,550	63,208	96,779
2015	119,220	43,984	64,212	94,876
2016-2020	703,058	118,044	345,200	444,667
2021-2025	-	-	412,986	387,070
2026-2030	-	-	386,100	319,089
2031-2035	-	-	464,300	242,172
2036-2040	-	-	504,900	130,150
Thereafter	-	-	672,000	107,435
	<u>\$ 1,318,473</u>	<u>\$ 396,426</u>	<u>\$ 3,097,023</u>	<u>\$ 2,123,672</u>

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities</b>					
Loan payable	\$ 1,425,350	\$ -	\$ 106,877	\$ 1,318,473	\$ 116,867
Lease payable	21,127	-	21,127	-	-
Compensated absences	54,069	52,575	48,659	57,985	-
Governmental activities long-term liabilities	<u>\$ 1,500,546</u>	<u>\$ 52,575</u>	<u>\$ 176,663</u>	<u>\$ 1,376,458</u>	<u>\$ 116,867</u>
<b>Business-type activities</b>					
Revenue bonds	\$ 1,010,000	\$ 1,870,000	20,000	2,860,000	46,200
Loan payable	251,131	-	14,108	237,023	14,266
Compensated absences	16,234	12,167	17,659	10,742	-
Business-type activities long-term liabilities	<u>\$ 1,277,365</u>	<u>\$ 1,882,167</u>	<u>\$ 51,767</u>	<u>\$ 3,107,765</u>	<u>\$ 60,466</u>

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

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

##### **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](http://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, 2010, 2009 and 2008 were \$134,519, \$137,877, and \$103,631, respectively, which equal the amount of the required contributions for each fiscal year.

##### **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.

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

**Retiree Health Care Act Contributions** (Continued)

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](http://www.nmrhca.state.nm.us).

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. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 11	1.666%	.833%
FY 12	1.834%	.917%
FY 13	2.000%	1.000%

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

##### **Retiree Health Care Act Contributions** (Continued)

For employees who are members of an enhanced retirement plan (state police and adjut correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 11	2.084%	1.042%
FY 12	2.292%	1.146%
FY 13	2.500%	1.250%

Also, 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, 2010, 2009 and 2008 were \$12,650, \$13,560 and \$13,530, 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 (EVSWA). The agreement has no expiration date. 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 City of Moriarty has an EGRT intercept that is pledged to EVSWA. The EGRT intercept for fiscal year ending June 30, 2010 was \$45,876.

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 City during the year and audit responsibility lies with the Authority.



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

**Joint Powers Agreements** (Continued)

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 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 \$16,745 for supplies to Hart’s Homecenter, which is owned by Mayor Ted Hart and \$ 3,667 for supplies to Moriarty Pipe and Iron which is owned by Councilman Larry Irvin.

**Capital Outlay Appropriations**

Capital Outlay appropriations are as follows:

Capital Project Fund	Project Appropriations	Appropriation Period	Expenditures to Date	Unexpended Balance
Police Facility	\$ 100,000	2006 to 6/10	\$ 100,000	\$ -
Police Facility	138,600	4/07 to 6/11	138,600	-
Police Facility	118,800	5/08 to 6/12	68,568	50,232
Mainstreet Gateway	300,000	4/07 to 6/11	229,469	70,531
Road Improvements	100,000	12/08 to 6/10	100,000	-
Water Improvements	500,000	7/08 to 6/11	219,443	280,557
	<u>\$ 1,257,400</u>		<u>\$ 856,080</u>	<u>\$ 401,320</u>

The unexpended balances represent grant funds remaining that have not been expended or encumbered by the fiscal year end June 30, 2010.

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

**Deficit Fund Balances**

The following funds have deficit fund balances:

<b>Special Revenue Fund</b>	
Airport Fund	\$ 243
<b>Capital Project Funds</b>	
CDBG Storm Drain	6,569
Mainstreet Gateway	2,337

These deficits will be funded by future transfers from other funds.

**Restatement**

The financial statements reflect an adjustment resulting from a restatement of beginning fund balance of the General Fund as of June 30, 2009. The decrease in fund balance of \$8,651 is to reflect a reversal of accounts receivable for the fiscal year ending June 30, 2009 but was not reversed until the current fiscal year.

5. **COMMITMENTS AND CONTINGENCIES**

During fiscal year 2010, the City of Moriarty issued revenue bonds in the amount of \$1,870,000 for the wastewater system. The City also received a grant from the USDA in the amount of \$1,507,000, for the purpose making improvements to the wastewater system. As of June 30, 2010, the City had expended a total of \$605,000 in revenue bonds, which per the agreement must be used prior to utilizing any of the grant funds.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
JUNE 30, 2010  
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.

**Street Fund**

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, 2010  
NONMAJOR GOVERNMENTAL FUNDS**

**CAPITAL PROJECTS FUNDS**

**CDBG – Storm Drain**

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.

**DWI Memorial Park**

To account for income and expenditures related to the construction of the DWI Memorial Park.

**Police Facility**

To account for forfeitures, due to seizure, received by the Police Department and expenditures related to those funds.

**Mainstreet Gateway**

To account for grant funds from the State of New Mexico, to plan, design, install and construct drainage improvements for the mainstreet project, including storm drainage.

**Water Improvements**

To account from funds from the New Mexico Environment Department to plan design and construct an additional municipal water well.

**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

STATE OF NEW MEXICO  
CITY OF MORIARTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue		
	Cemetery Fund	EMS Fund	Fire Protection Fund
<b>ASSETS</b>			
Cash	\$ 5,897	\$ 2	\$ 4,496
Investments - restricted	-	-	-
Accounts receivable	-	-	-
<b>Total assets</b>	<u>\$ 5,897</u>	<u>\$ 2</u>	<u>\$ 4,496</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,107	\$ -	\$ 1,196
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>Total liabilities</b>	<u>1,107</u>	<u>-</u>	<u>1,196</u>
<b>Fund balances:</b>			
Unreserved			
Special revenue	4,790	2	3,300
Reserved			
Capital projects	-	-	-
Debt service	-	-	-
<b>Total fund balances</b>	<u>4,790</u>	<u>2</u>	<u>3,300</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,897</u>	<u>\$ 2</u>	<u>\$ 4,496</u>

The accompanying notes are an integral part of these financial statements

**Special Revenue**

<b>Juvenile Recreation Fund</b>	<b>Enforcement Protection Fund</b>	<b>Lodgers Tax Fund</b>	<b>Street Fund</b>	<b>Total</b>
\$ 1,050	\$ 8,803	\$ 71,672	\$ 23,149	\$ 115,069
-	-	-	-	-
<u>493</u>	<u>-</u>	<u>18,633</u>	<u>17,797</u>	<u>36,923</u>
<u>\$ 1,543</u>	<u>\$ 8,803</u>	<u>\$ 90,305</u>	<u>\$ 40,946</u>	<u>\$ 151,992</u>
\$ 1,050	\$ 2,187	\$ 1,047	\$ 7,698	\$ 14,285
-	-	-	-	-
-	-	-	-	-
<u>1,050</u>	<u>2,187</u>	<u>1,047</u>	<u>7,698</u>	<u>14,285</u>
493	6,616	89,258	33,248	137,707
-	-	-	-	-
-	-	-	-	-
<u>493</u>	<u>6,616</u>	<u>89,258</u>	<u>33,248</u>	<u>137,707</u>
<u>\$ 1,543</u>	<u>\$ 8,803</u>	<u>\$ 90,305</u>	<u>\$ 40,946</u>	<u>\$ 151,992</u>

STATE OF NEW MEXICO  
CITY OF MORIARTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>Capital Projects</u>			
	<u>CDBG Storm Drain</u>	<u>DWI Park</u>	<u>Police Facility</u>	<u>Mainstreet Gateway</u>
<b>ASSETS</b>				
Cash	\$ 27,196	\$ -	\$ 184,417	\$ -
Investments - restricted	-	-	-	-
Accounts receivable	<u>77,458</u>	<u>-</u>	<u>286,783</u>	<u>21,922</u>
<b>Total assets</b>	<u>\$ 104,654</u>	<u>\$ -</u>	<u>\$ 471,200</u>	<u>\$ 21,922</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 75,645	\$ -	\$ 60,380	\$ 2,900
Due to other funds	-	-	-	18,459
Deferred revenue	<u>35,578</u>	<u>-</u>	<u>87,303</u>	<u>2,900</u>
<b>Total liabilities</b>	<u>111,223</u>	<u>-</u>	<u>147,683</u>	<u>24,259</u>
<b>Fund balances:</b>				
Unreserved				
Special revenue	-	-	-	-
Reserved				
Capital projects	( 6,569)	-	323,517	( 2,337)
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<u>( 6,569)</u>	<u>-</u>	<u>323,517</u>	<u>( 2,337)</u>
<b>Total liabilities and fund balances</b>	<u>\$ 104,654</u>	<u>\$ -</u>	<u>\$ 471,200</u>	<u>\$ 21,922</u>

The accompanying notes are an integral part of these financial statements



<b>Capital Projects</b>		<b>Debt Service Civic Center</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Water Improvements</b>	<b>Total</b>		
\$ -	\$ 211,613	\$ 82,524	\$ 409,206
-	-	165,251	165,251
<u>-</u>	<u>386,163</u>	<u>-</u>	<u>423,086</u>
<u>\$ -</u>	<u>\$ 597,776</u>	<u>\$ 247,775</u>	<u>\$ 997,543</u>
\$ -	\$ 138,925	\$ -	\$ 153,210
-	18,459	-	18,459
<u>-</u>	<u>125,781</u>	<u>-</u>	<u>125,781</u>
<u>-</u>	<u>283,165</u>	<u>-</u>	<u>297,450</u>
-	-	-	137,707
-	314,611	-	314,611
<u>-</u>	<u>-</u>	<u>247,775</u>	<u>247,775</u>
<u>-</u>	<u>314,611</u>	<u>247,775</u>	<u>700,093</u>
<u>\$ -</u>	<u>\$ 597,776</u>	<u>\$ 247,775</u>	<u>\$ 997,543</u>

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, 2010

	Special Revenue		
	Cemetery Fund	EMS Fund	Fire Protection Fund
<b>REVENUES</b>			
Taxes			
Lodgers' tax	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-
Licenses and permits	3,275	-	-
Intergovernmental	-	12,642	77,451
Rents and royalties	-	-	-
Other	6,375	-	-
Investment	-	-	-
<b>Total revenues</b>	<u>9,650</u>	<u>12,642</u>	<u>77,451</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public safety	-	12,640	89,179
Culture and recreation	-	-	-
Health and welfare	6,961	-	-
Highways and streets	-	-	-
<b>Debt service:</b>			
Principal	-	-	-
Interest	-	-	-
<b>Capital outlay</b>	-	-	-
<b>Total expenditures</b>	<u>6,961</u>	<u>12,640</u>	<u>89,179</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,689</u>	<u>2</u>	<u>( 11,728)</u>
<b>Other financing sources (uses):</b>			
Transfers in (out)	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	2,689	2	( 11,728)
<b>Fund balances, beginning of year</b>	<u>2,101</u>	<u>-</u>	<u>15,028</u>
<b>Fund balances, end of year</b>	<u>\$ 4,790</u>	<u>\$ 2</u>	<u>\$ 3,300</u>

The accompanying notes are an integral part of these financial statements

**Special Revenue**

<b>Juvenile Recreation Fund</b>	<b>Enforcement Protection Fund</b>	<b>Lodgers Tax Fund</b>	<b>Street Fund</b>	<b>Total</b>
\$ -	\$ -	\$ 165,520	\$ -	\$ 165,520
6,532	-	-	177,422	183,954
-	-	-	-	3,275
-	26,000	5,870	-	121,963
-	-	13,684	-	13,684
-	-	-	-	6,375
-	-	-	-	-
<u>6,532</u>	<u>26,000</u>	<u>185,074</u>	<u>177,422</u>	<u>494,771</u>
-	19,384	-	-	121,203
7,717	-	93,595	-	101,312
-	-	-	-	6,961
-	-	-	189,360	189,360
-	21,127	-	-	21,127
-	1,469	-	-	1,469
10,343	-	-	-	10,343
<u>18,060</u>	<u>41,980</u>	<u>93,595</u>	<u>189,360</u>	<u>451,775</u>
( 11,528)	( 15,980)	91,479	( 11,938)	42,996
-	22,596	( 105,000)	-	( 82,404)
-	22,596	( 105,000)	-	( 82,404)
( 11,528)	6,616	( 13,521)	( 11,938)	( 39,408)
12,021	-	102,779	45,186	177,115
<u>\$ 493</u>	<u>\$ 6,616</u>	<u>\$ 89,258</u>	<u>\$ 33,248</u>	<u>\$ 137,707</u>

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, 2010

	Capital Projects			
	CDBG Storm Drain	DWI Park	Police Facility	Mainstreet Gateway
<b>REVENUES</b>				
Taxes				
Lodgers' tax	\$ -	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	537,132	-	177,356	152,398
Rents and royalties	-	-	-	-
Other	-	-	51,854	-
Investment	-	-	5,051	-
<b>Total revenues</b>	<u>537,132</u>	<u>-</u>	<u>234,261</u>	<u>152,398</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Highways and streets	-	-	-	-
<b>Debt service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Capital outlay</b>	<u>458,644</u>	<u>-</u>	<u>325,031</u>	<u>157,508</u>
<b>Total expenditures</b>	<u>458,644</u>	<u>-</u>	<u>325,031</u>	<u>157,508</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>78,488</u>	<u>-</u>	<u>( 90,770)</u>	<u>( 5,110)</u>
<b>Other financing sources (uses):</b>				
Transfers in (out)	<u>( 92,104)</u>	<u>( 23,188)</u>	<u>( 99,596)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>( 92,104)</u>	<u>( 23,188)</u>	<u>( 99,596)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>( 13,616)</u>	<u>( 23,188)</u>	<u>( 190,366)</u>	<u>( 5,110)</u>
<b>Fund balances, beginning of year</b>	<u>7,047</u>	<u>23,188</u>	<u>513,883</u>	<u>2,773</u>
<b>Fund balances, end of year</b>	<u><u>\$ ( 6,569)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 323,517</u></u>	<u><u>\$ ( 2,337)</u></u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		<u>Debt Service Civic Center</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Water Improvements</u>	<u>Total</u>		
\$ -	\$ -	\$ -	\$ 165,520
-	-	-	183,954
-	-	-	3,275
-	866,886	-	988,849
-	-	-	13,684
-	51,854	-	58,229
-	5,051	438	5,489
-	923,791	438	1,419,000
-	-	-	121,203
-	-	3,333	104,645
-	-	-	6,961
-	-	-	189,360
-	-	92,075	113,202
-	-	69,784	71,253
-	941,183	-	951,526
-	941,183	165,192	1,558,150
-	( 17,392)	( 164,754)	( 139,150)
( 15,584)	( 230,472)	179,140	( 133,736)
( 15,584)	( 230,472)	179,140	( 133,736)
( 15,584)	( 247,864)	14,386	( 272,886)
15,584	562,475	233,389	972,979
\$ -	\$ 314,611	\$ 247,775	\$ 700,093

**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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 3,500	\$ 3,500	\$ 3,275	\$( 225)
Other	<u>3,000</u>	<u>3,000</u>	<u>6,375</u>	<u>3,375</u>
<b>Total revenues</b>	<u>6,500</u>	<u>6,500</u>	<u>9,650</u>	<u>3,150</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Health and welfare	<u>6,500</u>	<u>6,962</u>	<u>6,961</u>	<u>1</u>
<b>Total expenditures</b>	<u>6,500</u>	<u>6,962</u>	<u>6,961</u>	<u>1</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$( 462)</u>	<u>\$ 2,689</u>	<u>\$ 3,151</u>
Beginning cash balance	<u>\$ 2,832</u>	<u>\$ 2,832</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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 12,641	\$ 12,641	\$ 12,642	\$ 1
<b>Total revenues</b>	12,641	12,641	12,642	1
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public safety	12,641	12,641	12,640	1
<b>Total expenditures</b>	12,641	12,641	12,640	1
<b>Excess (deficiency) of revenues over expenditures</b>	\$ -	\$ -	\$ 2	\$ 2
Beginning cash balance	\$ -	\$ -		

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 77,451	\$ 77,451	\$ 77,451	\$ -
<b>Total revenues</b>	<b>77,451</b>	<b>77,451</b>	<b>77,451</b>	<b>-</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public safety	92,482	92,482	89,179	3,303
<b>Total expenditures</b>	<b>92,482</b>	<b>92,482</b>	<b>89,179</b>	<b>3,303</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ ( 15,031)</b>	<b>\$ ( 15,031)</b>	<b>\$ ( 11,728)</b>	<b>\$ 3,303</b>
Beginning cash balance	\$ 15,031	\$ 15,031		

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Other state shared taxes	\$ 6,000	\$ 6,000	\$ 6,532	\$ 532
<b>Total revenues</b>	6,000	6,000	6,532	532
<b>EXPENDITURES</b>				
<b>Current:</b>				
Culture and recreation	6,000	7,717	7,717	-
<b>Capital Outlay</b>	-	10,343	10,343	-
<b>Total expenditures</b>	6,000	18,060	18,060	-
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ -	\$( 12,060)	\$( 11,528)	\$ 532
Beginning cash balance	\$ 12,781	\$ 12,781		

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 26,000	\$ 26,000	\$ 26,000	\$ -
<b>Total revenues</b>	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public safety	26,000	23,813	19,384	4,429
<b>Debt service:</b>				
Principal	-	21,128	21,127	1
Interest	<u>-</u>	<u>1,468</u>	<u>1,469</u>	<u>( 1)</u>
<b>Total expenditures</b>	<u>26,000</u>	<u>46,409</u>	<u>41,980</u>	<u>4,429</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>( 20,409)</u>	<u>( 15,980)</u>	<u>4,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>-</u>	<u>22,596</u>	<u>22,596</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>22,596</u>	<u>22,596</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ 2,187</u>	<u>\$ 6,616</u>	<u>\$ 4,429</u>
Beginning cash balance	<u>\$ 3,405</u>	<u>\$ 3,405</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Lodgers' tax	\$ 175,000	\$ 175,000	\$ 165,520	\$( 9,480)
Rents and royalties	13,368	13,368	13,684	316
Intergovernmental	<u>3,000</u>	<u>3,000</u>	<u>5,870</u>	<u>2,870</u>
<b>Total revenues</b>	<u>191,368</u>	<u>191,368</u>	<u>185,074</u>	<u>( 6,294)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Culture and recreation	<u>102,171</u>	<u>102,171</u>	<u>93,595</u>	<u>8,576</u>
<b>Total expenditures</b>	<u>102,171</u>	<u>102,171</u>	<u>93,595</u>	<u>8,576</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>89,197</u>	<u>89,197</u>	<u>91,479</u>	<u>2,282</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	( 105,000)	( 105,000)	( 105,000)	-
<b>Total other financing sources (uses)</b>	<u>( 105,000)</u>	<u>( 105,000)</u>	<u>( 105,000)</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$( 15,803)</u>	<u>\$( 15,803)</u>	<u>\$( 13,521)</u>	<u>\$ 2,282</u>
Beginning cash balance	<u>\$ 86,947</u>	<u>\$ 86,947</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Other state shared taxes	\$ <u>215,000</u>	\$ <u>215,000</u>	\$ <u>176,274</u>	\$( <u>38,726</u> )
<b>Total revenues</b>	<u>215,000</u>	<u>215,000</u>	<u>176,274</u>	<u>( 38,726)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Highway and streets	<u>215,000</u>	<u>215,000</u>	<u>188,439</u>	<u>26,561</u>
<b>Total expenditures</b>	<u>215,000</u>	<u>215,000</u>	<u>188,439</u>	<u>26,561</u>
<b>Excess (deficiency) of revenues</b>				
<b>Over expenditures</b>	\$ <u>-</u>	\$ <u>-</u>	\$( <u>12,165</u> )	\$( <u>12,165</u> )
Beginning cash balance	\$ <u>35,314</u>	\$ <u>35,314</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
<b>Net increase (decrease) in fund balances budget basis</b>			\$( 12,165)	
Change in receivables			1,148	
Change in payables			<u>( 921)</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$( 11,938)</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 792,848	\$ 792,848	\$ 495,252	\$( 297,596)
<b>Total revenues</b>	<u>792,848</u>	<u>792,848</u>	<u>495,252</u>	<u>( 297,596)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>829,248</u>	<u>829,248</u>	<u>486,457</u>	<u>342,791</u>
<b>Total expenditures</b>	<u>829,248</u>	<u>829,248</u>	<u>486,457</u>	<u>342,791</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>( 36,400)</u>	<u>( 36,400)</u>	<u>8,795</u>	<u>45,195</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>18,000</u>	<u>18,000</u>	<u>( 92,104)</u>	<u>( 110,104)</u>
<b>Total other financing sources (uses)</b>	<u>18,000</u>	<u>18,000</u>	<u>( 92,104)</u>	<u>( 110,104)</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$( 18,400)</u>	<u>\$( 18,400)</u>	<u>\$( 83,309)</u>	<u>\$( 64,909)</u>
Beginning cash balance	<u>\$ 18,401</u>	<u>\$ 18,401</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
<b>Net increase (decrease) in fund balances budget basis</b>			\$( 83,309)	
<b>Change in receivables</b>			( 14,646)	
<b>Change in payables</b>			27,813	
<b>Change in deferred revenue</b>			<u>56,526</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$( 13,616)</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	-	-	-	-
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ -	
Change in receivables			( 23,188)	
Net change in fund balances GAAP basis			<u>\$( 23,188)</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 317,712	\$ 317,712	\$ 29,730	\$( 287,982)
Investment	<u>2,000</u>	<u>2,000</u>	<u>5,051</u>	<u>3,051</u>
<b>Total revenues</b>	<u>319,712</u>	<u>319,712</u>	<u>34,781</u>	<u>( 284,931)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>771,595</u>	<u>771,595</u>	<u>264,651</u>	<u>506,944</u>
<b>Total expenditures</b>	<u>771,595</u>	<u>771,595</u>	<u>264,651</u>	<u>506,944</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 451,883)</u>	<u>( 451,883)</u>	<u>( 229,870)</u>	<u>222,013</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>( 62,000)</u>	<u>( 99,596)</u>	<u>( 99,596)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>( 62,000)</u>	<u>( 99,596)</u>	<u>( 99,596)</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$( 513,883)</u>	<u>\$( 551,479)</u>	<u>\$( 329,466)</u>	<u>\$ 222,013</u>
Beginning cash balance	<u>\$ 513,883</u>	<u>\$ 513,883</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$( 329,466)	
Change in receivables			286,783	
Change in payables			( 60,380)	
Change in deferred revenues			<u>( 87,303)</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$( 190,366)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
CITY OF MORIARTY  
CAPITAL PROJECTS MAINSTREET GATEWAY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 305,000	\$ 305,000	\$ 162,503	\$( 142,497)
<b>Total revenues</b>	<u>305,000</u>	<u>305,000</u>	<u>162,503</u>	<u>( 142,497)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>310,317</u>	<u>310,317</u>	<u>167,820</u>	<u>142,497</u>
<b>Total expenditures</b>	<u>310,317</u>	<u>310,317</u>	<u>167,820</u>	<u>142,497</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$( 5,317)</u>	<u>\$( 5,317)</u>	<u>\$( 5,317)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 5,317</u>	<u>\$ 5,317</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$( 5,317)	
Change in receivables			( 7,205)	
Change in payables			10,312	
Change in deferred revenue			<u>( 2,900)</u>	
Net change in fund balances GAAP basis			<u>\$( 5,110)</u>	

The accompanying notes are an integral part of these financial statements



STATE OF NEW MEXICO  
CITY OF MORIARTY  
CAPITAL PROJECTS WATER IMPROVEMENTS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (Non-GAAP Basis) and ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ <u>15,937</u>	\$ <u>15,937</u>	\$ <u>15,584</u>	\$( <u>353</u> )
<b>Total revenues</b>	<u>15,937</u>	<u>15,937</u>	<u>15,584</u>	<u>( 353)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>( 15,937)</u>	<u>( 15,937)</u>	<u>( 15,584)</u>	<u>353</u>
Total other financing sources (uses)	<u>( 15,937)</u>	<u>( 15,937)</u>	<u>( 15,584)</u>	<u>353</u>
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ -	
Change in receivables			<u>( 15,584)</u>	
Net change in fund balances GAAP basis			<u>\$( 15,584)</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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investments	\$ -	\$ -	\$ 438	\$ 438
<b>Total revenues</b>	-	-	438	438
<b>EXPENDITURES</b>				
<b>Current:</b>				
Culture and recreation	3,553	3,553	3,333	220
<b>Debt service:</b>				
Principal	74,033	74,033	92,075	( 18,042)
Interest	87,596	87,774	69,784	17,990
<b>Total expenditures</b>	165,182	165,360	165,192	168
<b>Excess (deficiency) of revenues over (under) expenditures</b>	( 165,182)	( 165,360)	( 164,754)	606
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	165,182	165,360	179,140	13,780
<b>Total other financing sources (uses)</b>	165,182	165,360	179,140	13,780
<b>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</b>	\$ -	\$ -	\$ 14,386	\$ 14,386
Beginning cash and investments	\$ 68,380	\$ 68,380		

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  
BUDGET AND ACTUAL  
FOR THE YEAR ENDING JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services	\$ 406,500	\$ 406,500	\$ 354,619	\$( 51,881)
<b>Total operating revenues</b>	<u>406,500</u>	<u>406,500</u>	<u>354,619</u>	<u>( 51,881)</u>
<b>Operating expenses:</b>				
Personnel services	201,408	201,408	194,313	7,095
Contract services	726	5,217	6,584	( 1,367)
Other operating expense	<u>141,039</u>	<u>136,548</u>	<u>127,649</u>	<u>8,899</u>
<b>Total operating expenses</b>	<u>343,173</u>	<u>343,173</u>	<u>328,546</u>	<u>14,627</u>
<b>Net operating income excluding non-budgeted expenses</b>	<u>63,327</u>	<u>63,327</u>	<u>26,073</u>	<u>( 37,254)</u>
<b>Non-operating revenues (expenses):</b>				
Interest	( 61,722)	( 52,372)	( 50,488)	1,884
<b>Total non-operating revenues (deductions)</b>	<u>( 61,722)</u>	<u>( 52,372)</u>	<u>( 50,488)</u>	<u>1,884</u>
<b>Net income loss excluding non-budgeted expenses</b>	<u>1,605</u>	<u>10,955</u>	<u>( 24,415)</u>	<u>( 35,370)</u>
<b>Other financing sources (uses):</b>				
Capital contributions	500,000	500,000	231,689	( 268,311)
Transfers in (out)	<u>-</u>	<u>25,900</u>	<u>26,304</u>	<u>404</u>
<b>Total other financing sources (uses)</b>	<u>500,000</u>	<u>525,900</u>	<u>257,993</u>	<u>( 267,907)</u>
<b>Less non-budgeted revenues (expenses):</b>				
Depreciation	<u>-</u>	<u>-</u>	<u>( 117,332)</u>	<u>( 117,332)</u>
<b>Total non-budgeted revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>( 117,332)</u>	<u>( 117,332)</u>
<b>Net income (loss)</b>	<u>\$ 501,605</u>	<u>\$ 536,855</u>	<u>\$ 116,246</u>	<u>\$( 420,609)</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  
BUDGET AND ACTUAL  
FOR THE YEAR ENDING JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services	\$ 202,000	\$ 202,000	\$ 224,021	\$ 22,021
Miscellaneous	-	-	30	30
<b>Total operating revenues</b>	<u>202,000</u>	<u>202,000</u>	<u>224,051</u>	<u>22,051</u>
<b>Operating expenses:</b>				
Personnel services	55,638	45,638	38,235	7,403
Other operating expense	133,342	143,342	142,244	1,098
<b>Total operating expenses</b>	<u>188,980</u>	<u>188,980</u>	<u>180,479</u>	<u>8,501</u>
<b>Net operating income excluding non-budgeted expenses</b>	<u>13,020</u>	<u>13,020</u>	<u>43,572</u>	<u>30,552</u>
<b>Non-operating revenues (expenses):</b>				
Interest	( 13,020)	( 13,020)	( 13,020)	-
<b>Total non-operating revenues (deductions)</b>	<u>( 13,020)</u>	<u>( 13,020)</u>	<u>( 13,020)</u>	<u>-</u>
<b>Net income loss excluding non-budgeted expenses</b>	<u>-</u>	<u>-</u>	<u>30,552</u>	<u>30,552</u>
<b>Other financing sources (uses):</b>				
Transfers in (out)	-	( 28,242)	( 35,991)	( 7,749)
<b>Less non-budgeted expenses:</b>				
Depreciation	-	-	96,296	( 96,296)
<b>Total non-budgeted revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>96,296</u>	<u>( 96,296)</u>
<b>Capital contributions</b>	<u>3,770,249</u>	<u>3,770,249</u>	<u>-</u>	<u>( 3,770,249)</u>
<b>Net income (loss)</b>	<u>\$ 3,770,249</u>	<u>\$ 3,742,007</u>	<u>\$ ( 101,735)</u>	<u>\$ ( 3,843,742)</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  
BUDGET AND ACTUAL  
FOR THE YEAR ENDING JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Operating revenues:</b>				
Charges for services	\$ 351,501	\$ 351,501	\$ 315,180	\$( 36,321)
<b>Total operating revenues</b>	<u>351,501</u>	<u>351,501</u>	<u>315,180</u>	<u>( 36,321)</u>
<b>Operating expenses:</b>				
Contract services	350,000	350,000	326,922	23,078
Other operating expense	<u>1,501</u>	<u>1,501</u>	<u>1,501</u>	<u>-</u>
<b>Total operating expenses</b>	<u>351,501</u>	<u>351,501</u>	<u>328,423</u>	<u>23,078</u>
<b>Net operating income (loss)</b>	<u>-</u>	<u>-</u>	<u>( 13,243)</u>	<u>( 13,243)</u>
<b>Other financing sources (uses):</b>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>7,749</u>	<u>7,749</u>
<b>Net income (loss)</b>	<u>-</u>	<u>-</u>	<u>\$( 5,494)</u>	<u>\$( 5,494)</u>

The accompanying notes are an integral part of these financial statements

## **OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2010**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Transportation</b>			
<i>Federal Aviation Administration</i>			
Airport - Acquire Land for Crosswind Runway Grant Award \$327,465	20.106	3-35-0029-008-2007	\$ 2,401
Airport - Design-Only of the Rehabilitation of Runway 8-26 and Airport Action Plan Update Grant Award \$66,215	20.106	3-35-0029-008-2008	\$ 23,475
Airport - Rehabilitation of Runway 8-26 and Associated Taxiways Grant Award \$1,620,426	20.106	3-35-0029-009-2009	\$ 1,605,312
<i>NHTSA</i>			
<i>Passed through New Mexico Department of Transportation</i>			
Minimum Penalties for Repeating offenders for driving while intoxicated. Grant Award \$5,800	20.608	10-AL-164-067	\$ 3,800
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed through New Mexico Department of Finance and Administration</i>			
Community Development Block Grant			
Second Street Storm Drain & Roadway Improvements Grant Award \$425,000	14.999	08-C-RS-I-1-G020	\$ 320,393
<b>U.S. Department of Justice</b>			
OJJDP Enforcing the Underage Drinking Laws, Block Grant Grant Award \$1,620,426	16.727	09-690-8299-1	\$ <u>25,000</u>
Total Federal Financial Awards Expenditures			\$ <u>1,980,381</u>

Note A - Significant Accounting Policies:  
The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.



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

**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***

Ted Hart, 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 Airport special revenue fund, and the combining and individual funds and related budgetary comparisons, presented as supplemental information of the City of Moriarty, New Mexico, (City) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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




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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-A, 2010-B and 2010-C.

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

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



Pattillo, Brown & Hill, L.L.P  
Albuquerque, New Mexico  
December 15, 2010



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

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

Ted Hart, Mayor  
City Council  
City of Moriarty  
Moriarty, New Mexico  
and  
Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

**Compliance**

We have audited the compliance of the City of Moriarty, New Mexico, (City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-D.

## Internal Control Over Compliance

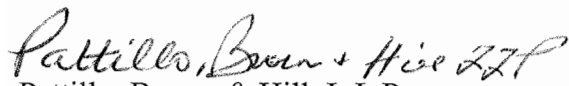
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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



Pattillo, Brown & Hill, L.L.P.

Albuquerque, New Mexico

December 15, 2010

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
14.999	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Section II - Financial Statement Findings**

**Prior Year**

2009-A            Excess of Expenditures Over Budget - Resolved

**Current Year**

2010-A            Audit Report Due Date  
2010-B            Bond Cash Account Requirements  
2010-C            Budget Deficit in Excess of Cash

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**2010-A**

**Audit Report Due Date**

**Condition:**

The audit report was not submitted by the due date, December 1, 2010. The report was submitted to the New Mexico Office of the State Auditor on December 20, 2010.

**Criteria:**

Section 2.2.2.9 A(1)(d) NMAC Audit Rule 2010, Requirements for Contracting and Conducting Audits of Agencies, states annual audit reports are to be received in the Office of the State Auditor on or before December 1<sup>st</sup>.

**Effect:**

The City is not in compliance with the New Mexico State Auditor Rule.

**Cause:**

The City was waiting on confirmation from a federal agency for the balance of unexpended bond proceeds and grant expenditures for the year ending June 30, 2010.

**Recommendation:**

In the future confirmations should be requested as early as possible to prevent the timely filling of the audit report.

**Response:**

The City agrees with this recommendation.

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**2010-B**

**Bond Cash Account Requirements**

**Condition:**

The City is in violation of their Wastewater System Improvement Revenue Bonds Series 2009 which states they shall create separate funds or accounts to be used for the purpose of satisfying the outstanding principal and/or interest on these bonds.

**Criteria:**

Section 16 of the City of Moriarty Wastewater System Improvement Revenue Bonds Series 2009, No. R-1 states that a Bond Fund and a Debt Service Reserve Fund shall be created and used for the deposit of net revenues of the System to be used for the payment of principal and interest and to accumulate a reserve of an annual installment of principal and interest..

**Effect:**

The City has not set up separate accounts for the Bond Fund and the Debt Service Reserve Fund as required by the 2009 Revenue Bond Series. These funds are not being effectively restricted without separate accounts for deposit of these reserves.

**Cause:**

The City has been restricting the required funds but they were unaware that they were required to establish separate accounts.

**Recommendation:**

The City should set up separate accounts for the Bond Fund and the Debt Service Reserve Fund.

**Response:**

Management agrees with finding and has set up separate accounts.

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**2010-C**

**Budget Deficit in Excess of Cash**

**Condition:** The City's final approved budget for the Capital Projects Police Facility Fund included a deficit that exceed the beginning cash balance in the amount of \$37,596. This represents a budget adjustment request to increase transfers out to \$99,596 a change of \$37,596.

**Criteria:** The New Mexico State Statute, Section 6-6-11 NMSA 1978, states "It is unlawful for any municipal governing body for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year."

**Effect:** The City's final approved budget included expenditures in excess of revenues and the beginning cash balance, in violation of state statues. Expenditures budgeted in excess of available cash balances increase the likelihood of the City overspending and expenditures in excess of available funds.

**Cause:** The City budgeted a transfer out without reducing their other budgeted expenditures, creating a budget deficit in excess of beginning cash.

**Recommendation:** The City should review available cash balances when preparing a Budget Adjustment Request, to insure that they have the funds available.

**Response:** Management agrees with finding and will review cash balances prior to requesting a budget adjustment.



**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Section III - Findings and Questioned Costs - Major Federal Awards Program Audit**

**Prior Year**

None

**Current Year**

**2010-D**

**Cash Management on Federal Grants**

**Condition:**

The City received grant funds from the U.S. Department of Transportation, FAA, CFDA number 20.106. Reimbursement was received from the Federal Aviation Administration for the Airport Rehabilitation Design grant (Federal Identification number: 3-35-0029-008-2008), and the Airport Rehabilitation Construction grant (Federal Identification number: 3-35-0029-009-2009), on January 20, 2010. The City did not pay the invoiced amounts to the engineer on both grants until May 17, 2010. The invoice amount for the Airport Rehabilitation Design Grant was \$25,959.94, and the invoice amount for the Airport Rehabilitation Construction Grant was \$52,037.50. The engineer on both grants was the same contractor.

**Criteria:**

Both grants are similar in nature and have the exact same assurances. Grant Agreements Part V, Assurances for Airport Sponsors states that Office of Management and Budget Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations applies. Section C. Cash Management of the A-133 Compliance Supplement states that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

**Effect:**

The City is not in compliance with OMB Circular A-133. Noncompliance with OMB Circular A-133 could jeopardize the City's ability to receive future funding from Federal sources.

**Cause:**

The City did not disburse funds to one contractor in a timely manner.

**Recommendation:**

Disbursements should be made in a timely manner to be in compliance with grant and federal requirements.

**Response:**

The City agrees with this recommendation.

**STATE OF NEW MEXICO  
CITY OF MORIARTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**EXIT CONFERENCE**

An exit conference was held on November 22, 2010 at the City's offices. In attendance were Ted Hart, Mayor; Linda Fischer, Treasurer and Sheila Larranaga-Murphy, Clerk from the City of Moriarty. John Gordon, CPA and Regina Gordon, CPA were 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.