

**STATE OF NEW MEXICO
CITY OF MORIARTY
AUDIT REPORT
JUNE 30, 2011**

STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2011

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2011**

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	Council Member
Larry Irvin	Council Member
Robert Ortiz	Council Member
Dennis Shanfeldt	Council Member

Administrative Officials

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

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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 major special revenue fund of the City of Moriarty, New Mexico (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

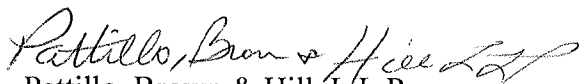
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major 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, 2011, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major capital project fund and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011 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

November 8, 2011

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 1,074,696	\$ 99,259	\$ 1,173,955
Receivables (net of allowances for uncollectible)	476,916	251,546	728,462
Restricted cash and investments	176,098	266,776	442,874
Prepaid expenses	5,134	-	5,134
Total current assets	<u>1,732,844</u>	<u>617,581</u>	<u>2,350,425</u>
Noncurrent assets:			
Capital assets not being depreciated			
Land	1,792,451	945,808	2,738,259
Construction in progress	-	3,323,742	3,323,742
Capital assets being depreciated, net	<u>15,565,796</u>	<u>4,663,381</u>	<u>20,229,177</u>
Total capital assets	<u>17,358,247</u>	<u>8,932,931</u>	<u>26,291,178</u>
Total noncurrent assets	<u>17,358,247</u>	<u>8,932,931</u>	<u>26,291,178</u>
Other assets:			
Bond issue costs	<u>-</u>	<u>20,973</u>	<u>20,973</u>
Total other assets	<u>-</u>	<u>20,973</u>	<u>20,973</u>
Total assets	<u>\$ 19,091,091</u>	<u>\$ 9,571,485</u>	<u>\$ 28,662,576</u>

The accompanying notes are an integral part of these financial statements

LIABILITIES	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable	\$ 278,536	\$ 197,256	\$ 475,792
Accrued payroll expenses	4,092	6,531	10,623
Meter deposits	-	74,283	74,283
Accrued interest payable	5,041	51,234	56,275
Current portion long term debt	138,181	61,335	199,516
Total current liabilities	<u>425,850</u>	<u>390,639</u>	<u>816,489</u>
Noncurrent liabilities:			
Compensated absences	55,948	7,081	63,029
Loan payable	1,135,527	208,322	1,343,849
Bonds payable	-	2,766,900	2,766,900
Total noncurrent liabilities	<u>1,191,475</u>	<u>2,982,303</u>	<u>4,173,778</u>
Total liabilities	<u>1,617,325</u>	<u>3,372,942</u>	<u>4,990,267</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,079,498	5,845,140	21,924,638
Restricted for:			
Debt service	251,304	192,493	443,797
Capital projects	121,601	-	121,601
Unrestricted	<u>1,021,363</u>	<u>160,910</u>	<u>1,182,273</u>
Total net assets	<u>\$ 17,473,766</u>	<u>\$ 6,198,543</u>	<u>\$ 23,672,309</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 996,108	\$ 84,018	\$ 63,797	\$ 29,470
Public safety	1,184,880	34,992	135,466	137,533
Culture and recreation	673,570	40,406	19,431	-
Health and welfare	210,979	-	-	-
Highways and streets	454,116	38,126	-	1,133,523
Interest on long-term debt	69,280	-	-	-
Total governmental activities	<u>3,588,933</u>	<u>197,542</u>	<u>218,694</u>	<u>1,300,526</u>
Business-type activities:				
Water	480,811	381,785	-	16,202
Sewer	315,818	283,361	-	1,209,112
Solid waste	322,448	316,309	-	-
Total business-type activities	<u>1,119,077</u>	<u>981,455</u>	<u>-</u>	<u>1,225,314</u>
Total primary government	<u>\$ 4,708,010</u>	<u>\$ 1,178,997</u>	<u>\$ 218,694</u>	<u>\$ 2,525,840</u>

General revenues:

 Taxes:

 Property taxes, levied for general purposes

 State shared

 Sales

 Lodgers

 Franchise

 Proceeds from insurance

 Investment earnings

Transfers

 Total general revenues

 Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements

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

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (818,823)	\$ -	\$ (818,823)
(876,889)	-	(876,889)
(613,733)	-	(613,733)
(210,979)	-	(210,979)
717,533	-	717,533
<u>(69,280)</u>	<u>-</u>	<u>(69,280)</u>
<u>(1,872,171)</u>	<u>-</u>	<u>(1,872,171)</u>
-	(82,824)	(82,824)
-	1,176,655	1,176,655
-	<u>(6,139)</u>	<u>(6,139)</u>
-	<u>1,087,692</u>	<u>1,087,692</u>
<u>(1,872,171)</u>	<u>1,087,692</u>	<u>(784,479)</u>
56,030	-	56,030
201,148	-	201,148
2,178,595	-	2,178,595
161,614	-	161,614
7,543	-	7,543
60,354	15,911	76,265
2,576	48	2,624
<u>19,176</u>	<u>(19,176)</u>	<u>-</u>
<u>2,687,036</u>	<u>(3,217)</u>	<u>2,683,819</u>
814,865	1,084,475	1,899,340
<u>16,658,901</u>	<u>5,114,068</u>	<u>21,772,969</u>
<u>\$ 17,473,766</u>	<u>\$ 6,198,543</u>	<u>\$ 23,672,309</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

ASSETS	<u>General</u>	<u>Airport Fund</u>	<u>CDBG Storm Drain</u>
Cash	\$ 844,932	\$ 41,865	\$ -
Investments - restricted	11,112	-	-
Accounts receivable (net of allowance)	191,191	-	242,266
Prepaid expenses	<u>5,134</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,052,369</u>	<u>\$ 41,865</u>	<u>\$ 242,266</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 118,128	\$ 1,159	\$ 138,673
Accrued payroll liabilities	<u>4,092</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>122,220</u>	<u>1,159</u>	<u>138,673</u>
 Fund balances:			
Non-spendable:			
Prepaid expenses	5,134	-	-
Restricted for:			
Special revenue	-	40,706	-
Capital projects	-	-	103,593
Debt service	3,015	-	-
Unassigned	<u>922,000</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>930,149</u>	<u>40,706</u>	<u>103,593</u>
Total liabilities and fund balances	<u>\$ 1,052,369</u>	<u>\$ 41,865</u>	<u>\$ 242,266</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total Governmental Funds
\$ 187,899	\$ 1,074,696
164,986	176,098
43,459	476,916
-	5,134
\$ 396,344	\$ 1,732,844

\$ 20,576	\$ 278,536
-	4,092
20,576	282,628

-	5,134
109,471	150,177
18,008	121,601
248,289	251,304
-	922,000
375,768	1,450,216
\$ 396,344	\$ 1,732,844

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**STATE OF NEW MEXICO
CITY OF MORIARTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

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

Fund Balances - Total Governmental Funds	\$	1,450,216
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$	24,681,221	
Less accumulated depreciation		<u>(7,322,974)</u>	17,358,247

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

Loan payable - long term	(1,273,708)	
Accrued interest payable		(5,041)	
Compensated absences		<u>(55,948)</u>	<u>(1,334,697)</u>

Net assets of governmental activities	\$	<u>17,473,766</u>
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The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2011**

	<u>General</u>	<u>Airport Fund</u>	<u>CDBG Storm Drain</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Gross receipts tax	\$ 2,178,595	\$ -	\$ -	\$ -	\$ 2,178,595
Property taxes	56,030	-	-	-	56,030
Lodgers' tax	-	-	-	161,614	161,614
Other state shared taxes	23,638	-	-	177,510	201,148
Franchise taxes	7,543	-	-	-	7,543
Licenses and permits	9,815	-	-	6,990	16,805
Intergovernmental	107,541	635,030	475,297	365,459	1,583,327
Fines and forfeitures	10,678	-	-	8,674	19,352
Charges for services	9,407	-	-	-	9,407
Rents and royalties	71,106	37,548	-	11,714	120,368
Other	19,915	578	-	11,117	31,610
Investment	1,636	-	-	940	2,576
Total revenues	<u>2,495,904</u>	<u>673,156</u>	<u>475,297</u>	<u>744,018</u>	<u>4,388,375</u>
EXPENDITURES					
Current:					
General government	638,808	-	-	-	638,808
Public safety	912,412	-	-	159,791	1,072,203
Culture and recreation	393,155	-	-	95,987	489,142
Health and welfare	200,379	-	-	12,097	212,476
Highways and streets	-	42,585	-	192,883	235,468
Debt service:					
Principal	15,001	-	-	121,764	136,765
Interest	1,122	-	-	68,559	69,681
Capital outlay	<u>76,474</u>	<u>589,622</u>	<u>472,902</u>	<u>582,962</u>	<u>1,721,960</u>
Total expenditures	<u>2,237,351</u>	<u>632,207</u>	<u>472,902</u>	<u>1,234,043</u>	<u>4,576,503</u>
Excess (deficiency) of revenues over (under) expenditures	<u>258,553</u>	<u>40,949</u>	<u>2,395</u>	<u>(490,025)</u>	<u>(188,128)</u>
Other financing sources (uses):					
Loan proceeds	-	-	-	92,000	92,000
Proceeds from insurance	54,627	-	-	5,727	60,354
Transfers in (out)	<u>(149,995)</u>	<u>-</u>	<u>107,767</u>	<u>61,404</u>	<u>19,176</u>
Total other financing sources (uses)	<u>(95,368)</u>	<u>-</u>	<u>107,767</u>	<u>159,131</u>	<u>171,530</u>
Net change in fund balances	163,185	40,949	110,162	(330,894)	(16,598)
Fund balances, beginning of year	<u>766,964</u>	<u>(243)</u>	<u>(6,569)</u>	<u>706,662</u>	<u>1,466,814</u>
Fund balances, end of year	<u>\$ 930,149</u>	<u>\$ 40,706</u>	<u>\$ 103,593</u>	<u>\$ 375,768</u>	<u>\$ 1,450,216</u>

The accompanying notes are an integral part of these financial statements

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**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, 2011**

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

Net change in fund balances - total governmental funds	\$(16,598)
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.	848,367
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.	44,765
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 within the governmental funds.	(125,781)
The effect of a donation by the county, provided in the form of materials and labor for capitalized road projects.	61,674
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>2,438</u>
Change in net assets of governmental activities	<u>\$ 814,865</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO
CITY OF MORIARTY
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDING JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,909,165	\$ 1,909,165	\$ 2,174,995	\$ 265,830
Property taxes	53,562	53,562	54,877	1,315
Other state shared taxes	21,700	21,700	24,789	3,089
Franchise taxes	9,800	9,800	6,685	(3,115)
Licenses and permits	15,200	15,200	9,815	(5,385)
Intergovernmental	88,525	152,788	83,604	(69,184)
Fines & forfeitures	6,300	6,300	11,104	4,804
Charges for services	11,100	11,100	9,407	(1,693)
Rents and royalties	54,792	104,792	71,106	(33,686)
Other	10,500	14,713	19,915	5,202
Investment	4,100	4,100	1,636	(2,464)
Total revenues	<u>2,184,744</u>	<u>2,303,220</u>	<u>2,467,933</u>	<u>164,713</u>
EXPENDITURES				
Current:				
General government	641,291	676,252	638,807	37,445
Public safety	888,990	928,714	912,412	16,302
Culture and recreation	377,965	374,408	393,155	(18,747)
Health and welfare	198,921	221,076	200,379	20,697
Debt Service				
Principal	15,001	15,001	15,001	-
Interest	1,122	1,122	1,122	-
Capital Outlay	<u>30,250</u>	<u>30,250</u>	<u>30,250</u>	<u>-</u>
Total expenditures	<u>2,153,540</u>	<u>2,246,823</u>	<u>2,191,126</u>	<u>55,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,204</u>	<u>56,397</u>	<u>276,807</u>	<u>220,410</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(41,204)	(150,488)	(150,488)	-
Proceeds from insurance	<u>-</u>	<u>-</u>	<u>54,627</u>	<u>54,627</u>
Total other financing sources (uses)	<u>(41,204)</u>	<u>(150,488)</u>	<u>(95,861)</u>	<u>54,627</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(10,000)</u>	<u>\$(94,091)</u>	<u>\$ 180,946</u>	<u>\$ 275,037</u>
Beginning cash balance	<u>\$ 593,751</u>	<u>\$ 593,751</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 180,946	
Change in receivables			28,464	
Change in payables			(46,225)	
Net change in fund balances GAAP basis			<u>\$ 163,185</u>	

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO
CITY OF MORIARTY
AIRPORT FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 547,972	\$ 625,972	\$ 635,030	\$ 9,058
Rents and royalties	48,500	48,500	37,548	(10,952)
Other	<u>-</u>	<u>-</u>	<u>578</u>	<u>578</u>
Total revenues	<u>596,472</u>	<u>674,472</u>	<u>673,156</u>	<u>(1,316)</u>
EXPENDITURES				
Current:				
Public works	14,154	97,534	42,585	54,949
Capital Outlay	<u>590,000</u>	<u>590,000</u>	<u>589,622</u>	<u>378</u>
Total expenditures	<u>604,154</u>	<u>687,534</u>	<u>632,207</u>	<u>55,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,682)</u>	<u>(13,062)</u>	<u>\$ 40,949</u>	<u>\$ 54,011</u>
Beginning cash balance	<u>\$ 56,988</u>	<u>\$ 56,988</u>		

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash	\$ 32,853	\$ 31,020	\$ 35,386	\$ 99,259
Accounts receivable (net of allowance for uncollectible)	38,882	184,279	28,385	251,546
Total current assets	<u>71,735</u>	<u>215,299</u>	<u>63,771</u>	<u>350,805</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments - meter deposits	37,142	37,142	-	74,283
Cash and investments - bond proceeds and reserves	121,697	70,796	-	192,493
Total restricted assets	<u>158,839</u>	<u>107,938</u>	<u>-</u>	<u>266,776</u>
Capital assets:				
Non-depreciable assets				
Land	587,201	357,807	800	945,808
Construction in progress	-	3,323,742	-	3,323,742
Depreciable assets, net	2,733,679	1,929,702	-	4,663,381
Total capital assets	<u>3,320,880</u>	<u>5,611,251</u>	<u>800</u>	<u>8,932,931</u>
Other assets-bond issue costs	-	20,973	-	20,973
Total noncurrent assets	<u>3,479,719</u>	<u>5,740,162</u>	<u>800</u>	<u>9,220,680</u>
Total assets	<u>\$ 3,551,454</u>	<u>\$ 5,955,461</u>	<u>\$ 64,571</u>	<u>\$ 9,571,485</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,935	\$ 166,029	\$ 26,292	\$ 197,256
Accrued payroll expenses	6,531	-	-	6,531
Meter deposits	37,142	37,142	-	74,283
Accrued interest	38,396	12,838	-	51,234
Current portion of long term debt	34,435	26,900	-	61,335
Total current liabilities	<u>121,439</u>	<u>242,909</u>	<u>26,292</u>	<u>390,639</u>
Noncurrent liabilities:				
Compensated absences	7,081	-	-	7,081
Loan payable	208,322	-	-	208,322
Revenue bond	950,000	1,816,900	-	2,766,900
Total noncurrent liabilities	<u>1,165,403</u>	<u>1,816,900</u>	<u>-</u>	<u>2,982,303</u>
Total liabilities	<u>1,286,842</u>	<u>2,059,809</u>	<u>26,292</u>	<u>3,372,942</u>
Net Assets				
Invested in capital assets, net of related debt	2,089,727	3,754,613	800	5,845,140
Restricted for debt service	121,697	70,796	-	192,493
Unrestricted	53,188	70,243	37,479	160,910
Total net assets	<u>\$ 2,264,612</u>	<u>\$ 3,895,652</u>	<u>\$ 38,279</u>	<u>\$ 6,198,543</u>

The accompanying notes are an integral part of these financial statements

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**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, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 381,785	\$ 282,970	\$ 316,309	\$ 981,064
Miscellaneous	<u>-</u>	<u>391</u>	<u>-</u>	<u>391</u>
Total operating revenues	<u>381,785</u>	<u>283,361</u>	<u>316,309</u>	<u>981,455</u>
Operating expenses:				
Personnel services	141,203	-	-	141,203
Depreciation	126,155	101,993	-	228,148
Contract services	9,280	-	319,713	328,993
Other operating expense	<u>154,418</u>	<u>186,607</u>	<u>2,735</u>	<u>343,760</u>
Total operating expenses	<u>431,056</u>	<u>288,600</u>	<u>322,448</u>	<u>1,042,104</u>
Operating income (loss)	<u>(49,271)</u>	<u>(5,239)</u>	<u>(6,139)</u>	<u>(60,649)</u>
Non-operating revenues (expenses):				
Interest	(49,755)	(27,218)	-	(76,973)
Investment	44	4	-	48
Proceeds from insurance	<u>10,035</u>	<u>5,876</u>	<u>-</u>	<u>15,911</u>
Total non-operating revenues (expenses)	<u>(39,676)</u>	<u>(21,338)</u>	<u>-</u>	<u>(61,014)</u>
Income (loss) before contributions and transfers	<u>(88,947)</u>	<u>(26,577)</u>	<u>(6,139)</u>	<u>(121,663)</u>
Other financing sources (uses):				
Capital contributions	16,202	1,209,112	-	1,225,314
Loan proceeds	-	-	-	-
Transfers in (out)	<u>(45,501)</u>	<u>26,325</u>	<u>-</u>	<u>(19,176)</u>
	<u>(29,299)</u>	<u>1,235,437</u>	<u>-</u>	<u>1,206,138</u>
Change in net assets	<u>(118,246)</u>	<u>1,208,860</u>	<u>(6,139)</u>	<u>1,084,475</u>
Total net assets - beginning	<u>2,382,858</u>	<u>2,686,792</u>	<u>44,418</u>	<u>5,114,068</u>
Total net assets - ending	<u>\$ 2,264,612</u>	<u>\$ 3,895,652</u>	<u>\$ 38,279</u>	<u>\$ 6,198,543</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, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 418,968	\$ 279,029	\$ 316,224
Payments to employees for services	(143,248)	(425)	-
Payments to suppliers for goods and services	<u>(177,655)</u>	<u>(458,987)</u>	<u>(321,310)</u>
Net cash provided (used) by operating activities	<u>98,065</u>	<u>(180,384)</u>	<u>(5,086)</u>
Cash flows from noncapital financing activities			
Transfers to other funds	-	26,325	-
Transfers from other funds	<u>(58,993)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related activities	<u>(58,993)</u>	<u>26,325</u>	<u>-</u>
Cash flows from capital and related financing activities			
Capital Contributions	16,202	1,209,112	-
Insurance proceeds	10,035	5,876	-
Acquisition of fixed assets	-	(2,439,214)	-
Principal paid on debt	(34,266)	(26,200)	-
Interest paid on debt	<u>(50,812)</u>	<u>(27,400)</u>	<u>-</u>
Net cash provided (used) by capital and related activities	<u>(58,841)</u>	<u>(1,277,826)</u>	<u>-</u>
Cash flows from investing activities			
Transfer (to) from restricted cash	17,853	1,421,640	-
Interest on investments	<u>44</u>	<u>4</u>	<u>-</u>
Net cash provided by investing activities	<u>17,897</u>	<u>1,421,644</u>	<u>-</u>
Net increase in cash and cash equivalents	(1,873)	(10,241)	(5,086)
Cash and equivalents beginning of year	<u>34,726</u>	<u>41,261</u>	<u>40,472</u>
Cash and equivalents end of year	<u>\$ 32,853</u>	<u>\$ 31,020</u>	<u>\$ 35,386</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$(49,271)	\$(5,239)	\$(6,139)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	126,155	101,993	-
Change in assets and liabilities:			
Receivables, net	36,458	(155,259)	(85)
Bond issue costs	-	538	-
Customer deposits	725	725	-
Accounts and other payables	(13,957)	(122,716)	1,138
Accrued expenses	<u>(2,045)</u>	<u>(425)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 98,065</u>	<u>\$(180,384)</u>	<u>\$(5,086)</u>

The accompanying notes are an integral part of these financial statements

Total

\$ 1,014,220
(143,673)
(957,952)
(87,405)

26,325
(58,993)
(32,668)

1,225,314
15,911
(2,439,214)
(60,466)
(78,212)
(1,336,667)

1,439,492
48
1,439,540

(17,200)
116,459

\$ 99,259

\$(60,649)

228,148
(118,886)
538
1,449
(135,535)
(2,470)
\$(87,405)

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**STATE OF NEW MEXICO
CITY OF MORIARTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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 authorized by State Statute, Chapter 3, Section 39, 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 Capital Project CDBG – Storm Drain is used to account for the revenue and expenditures associated with the Storm Drain project approved by the State of New Mexico and funded by a federal grant.

The City reports the following major proprietary funds:

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

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

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

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 aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balances (Continued)

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Net Assets

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

Estimates

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

Property Taxes

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

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

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

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.

E. **Implementation of New Accounting Principles**

For the year ending June 30, 2011 the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally the definitions of the general fund, special revenue fund type, capital projects fund type, and debt service fund type, are clarified by the provisions in this Statements.

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

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

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

Capital outlay	\$ 1,721,960
Depreciation expense	<u>(873,593)</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>\$ 848,367</u>

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

A. 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)

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:

Loan proceeds:	
Equipment loan	\$ 92,000
Principal repayments:	
Loan payable	(111,802)
Lease payable	<u>(24,963)</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>(44,765)</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	\$ 2,037
Accrued interest - (increase) decrease	<u>401</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>2,438</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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

2. The City Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico Department of Finance, Division of Local Governments. The original budget that was adopted in July 2010 was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
4. Encumbrances are not reported in the budgets or financial statements.
5. The level of classifications detail in which expenditures or expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.
6. Budgets for the general, special revenue and capital project funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for general, special revenue and capital projects funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

At June 30, 2011, 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, 2011, of the cash and cash equivalents and collateral pledged to secure the public funds on deposit. All funds are held in the name of the City in financial institutions that have exceeded the minimum collateral requirements. All financial institutions have pledged collateral with securities held by their trust department or agent in the government's name.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

	Balance Per Bank <u>6/30/2011</u>	Add Deposits <u>In Transit</u>	Less Outstanding <u>Checks</u>	<u>Adjustment</u>	Balance Per Books <u>6/30/2011</u>
Wells Fargo					
Checking Accounts					
Operating	341,240	6,134	(48,799)	-	298,575
Water & Sewer Trust	47,888	-	(451)	-	47,437
Revenue Bond & Interest	51,604	5,667	-	-	57,271
WWTP Construction	34	-	-	(34)	-
Sewer Bond & Interest Reserves	10,343	-	-	-	10,343
Water Bond & Interest Reserves	41,378	-	-	-	41,378
Sewer Bond Reserve	50,104	-	-	(81)	50,023
Sewer Asset Management	10,431	-	-	-	10,431
First Community Bank					
Checking	2,577	-	-	-	2,577
Checking	813,030	-	-	-	813,030
New Mexico Finance Authority					
Debt Service Accounts	91,320	-	-	-	91,320
Bank of NY Mellon					
Loan Reserve Accounts	<u>194,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,144</u>
Total Cash in Banks	<u>\$ 1,654,093</u>	<u>\$ 11,801</u>	<u>\$ (49,250)</u>	<u>\$ (115)</u>	1,616,529
Plus Cash on Hand					<u>300</u>
					<u>\$ 1,616,829</u>

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

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

Pledged Collateral at Banks

	Wells Fargo Bank	First Community Bank	Total
Deposits	\$ 553,022	\$ 815,607	\$ 1,368,629
FDIC	(62,152)	(250,000)	(312,152)
Covered by Section 343 of the Dodd-Frank Act	<u>(490,870)</u>	<u>-</u>	<u>(490,870)</u>
Total uninsured public funds	-	565,607	565,607
Collateral pledged:			
Federal Home Loan Bank Dallas, TX			
Torrance Etc Cntys NM Muni; CUSIP 891400LE1; 7/15/2013	-	250,000	250,000
GNR 2010-23 LC; CUSIP 38376VL62;10/20/2037	-	222,791	222,791
GNR 2009-58 AP; CUISP 38375D2H0; 6/20/2039	<u>-</u>	<u>296,667</u>	<u>296,667</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the City's name	<u>-</u>	<u>769,458</u>	<u>769,458</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ 282,804	\$ 282,804
Pledged collateral	<u>-</u>	<u>769,458</u>	<u>769,458</u>
Over (under) collateralized	<u>\$ -</u>	<u>\$ 486,655</u>	<u>\$ 486,655</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. Effective December 31, 2010 and continuing through December 31, 2012, all funds in non-interest bearing transaction accounts held at FDIC-insured depository institutions will be fully insured under the Dodd-Frank Deposit Insurance Provision. A “noninterest-bearing transaction account” is defined as an account with respect to which interest is neither accrued nor paid. The City does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$565,607 of the City’s bank balance of \$1,368,629 was exposed to custodial credit risk as follows:

	Wells Fargo Bank	First Community Bank	Total
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department or agent, not in the City's name	<u>-</u>	<u>565,607</u>	<u>565,607</u>
Total	<u>\$ -</u>	<u>\$ 565,607</u>	<u>\$ 565,607</u>

Additionally, three 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	\$ 3,015
Civic Center	83,303
Water Tower	<u>5,002</u>
Total	<u>\$ 91,320</u>

As of June 30, 2011, the City held \$194,144 in US Treasury Notes; in connection with three New Mexico Finance Authority Loan Reserve Accounts. The notes are held at the Bank of New York Mellon 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, 2011 these investments were held for the following Loan Reserve Accounts:

Loan Reserve Account Civic Center	\$ 164,986
Loan Reserve Account Ambulance	11,112
Loan Reserve Account Water Tower	<u>18,046</u>
Total	<u>\$ 194,144</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

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

	Governmental Funds			Enterprise Funds			Total
	General	CDBG	Other Governmental Funds	Water	Sewer	Solid Waste	
Receivables:							
Customer accounts	\$ -	\$ -	\$ -	\$ 40,758	\$ 34,077	\$ 28,385	\$ 103,220
Fines and fees	1,300	-	-	-	-	-	1,300
Property taxes	3,088	-	-	-	-	-	3,088
Sales tax	158,230	-	-	-	-	-	158,230
State shared tax	-	-	15,643	-	-	-	15,643
Franchise	2,614	-	-	-	-	-	2,614
Intergovernmental	23,937	242,266	11,008	-	150,202	-	427,413
Lodger's tax	-	-	16,808	-	-	-	16,808
Motor vehicle fees	2,022	-	-	-	-	-	2,022
Gross receivables	191,191	242,266	43,459	40,758	184,279	28,385	730,338
Less allowance for uncollectibles	-	-	-	1,876	-	-	1,876
Total	<u>\$ 191,191</u>	<u>\$ 242,266</u>	<u>\$ 43,459</u>	<u>\$ 38,882</u>	<u>\$ 184,279</u>	<u>\$ 28,385</u>	<u>\$ 728,462</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Reclassification</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,792,451	\$ -	\$ -	\$ -	\$ 1,792,451
Construction in progress	<u>785,405</u>	<u>-</u>	<u>-</u>	<u>(785,405)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,577,856</u>	<u>-</u>	<u>-</u>	<u>(785,405)</u>	<u>1,792,451</u>
Capital assets, being depreciated:					
Buildings and improvements	4,134,849	414,271	-	286,324	4,835,444
Furniture and equipment	2,249,135	157,369	-	-	2,406,504
Land improvements	7,995,060	604,334	-	499,081	9,098,475
Infrastructure	<u>5,940,687</u>	<u>607,660</u>	<u>-</u>	<u>-</u>	<u>6,548,347</u>
Total capital assets being depreciated	<u>20,319,731</u>	<u>1,783,634</u>	<u>-</u>	<u>785,405</u>	<u>22,888,770</u>
Less accumulated depreciation:					
Buildings and improvements	1,211,109	138,664	-	-	1,349,773
Furniture and equipment	1,632,513	136,477	-	-	1,768,990
Land improvements	2,385,381	380,566	-	-	2,765,947
Infrastructure	<u>1,220,378</u>	<u>217,886</u>	<u>-</u>	<u>-</u>	<u>1,438,264</u>
Total accumulated depreciation	<u>6,449,381</u>	<u>873,593</u>	<u>-</u>	<u>-</u>	<u>7,322,974</u>
Total capital assets being depreciated, net	<u>13,870,350</u>	<u>910,041</u>	<u>-</u>	<u>785,405</u>	<u>15,565,796</u>
Governmental activities capital assets, net	<u>\$ 16,448,206</u>	<u>\$ 910,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,358,247</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Reclassification</u>	<u>Ending Balance</u>
Business-type Activities:					
Capital assts, not being depreciated:					
Land	\$ 945,808	\$ -	\$ -	\$ -	\$ 945,808
Construction in progress	1,104,324	2,439,214	-	(219,796)	3,323,742
Total capital assets not being depreciated	<u>2,050,132</u>	<u>2,439,214</u>	<u>-</u>	<u>(219,796)</u>	<u>4,269,550</u>
Capital assets, being depreciated:					
Plant and distributing system	7,680,975	-	-	219,796	7,900,771
Machinery and equipment	141,804	-	-	-	141,804
Total capital assets being depreciated	<u>7,822,779</u>	<u>-</u>	<u>-</u>	<u>219,796</u>	<u>8,042,575</u>
Less accumulated depreciation:					
Plant and distributing system	2,989,102	226,353	-	-	3,215,455
Machinery and equipment	161,944	1,795	-	-	163,739
Total accumulated depreciation	<u>3,151,046</u>	<u>228,148</u>	<u>-</u>	<u>-</u>	<u>3,379,194</u>
Total capital assets being depreciated, net	<u>4,671,733</u>	<u>(228,148)</u>	<u>-</u>	<u>219,796</u>	<u>4,663,381</u>
Governmental activities capital assets, net	<u>\$ 6,721,865</u>	<u>\$ 2,211,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,932,931</u>

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

Governmental Activities:	
General Governments	\$358,602
Public Safety	112,677
Highways and streets	217,886
Culture and recreation	<u>184,428</u>
Total depreciation expense - governmental activities	<u>\$873,593</u>
Business-type Activities:	
Water	\$126,155
Sewer	<u>101,993</u>
Total depreciation expense -business-type activities	<u>\$228,148</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 transfers:

	Transfers out					Total
	General	CDBG	Other Governmental Funds	Sewer	Water	
Transfers In:						
General	\$ -		\$ 25,493	\$ -	\$ -	\$ 25,493
CDBG	76,591	-			31,176	107,767
Sewer	-	-	-	-	26,325	26,325
Water	12,000		-	-	-	12,000
Other governmental funds	86,897	-	112,574	-	-	199,471
Total transfers out	175,488	-	138,067	-	57,501	371,056
Less Transfers in	25,493	107,767	199,471	26,325	12,000	371,056
Net transfers	<u>\$ 149,995</u>	<u>\$ (107,767)</u>	<u>\$ (61,404)</u>	<u>\$ (26,325)</u>	<u>\$ 45,501</u>	<u>\$ -</u>

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

Short-term Debt

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

Long-term Debt

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

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Bonds and Loan Payable

A summary of the terms of revenue bonds and loans outstanding and their corresponding allocations to the governmental and business-type activities at June 30, 2011 follows:

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
<u>Governmental Activities</u>				
Loans:				
NMFA-Ambulance	\$ 111,112	2015	1.27% to 1.54%	\$ 62,153
NMFA-Civic Center	1,964,962	2020	4.03% to 5.45%	1,144,518
Kansas State Bank of Manhattan	<u>92,000</u>	2013	5.750%	<u>67,037</u>
Total governmental activities	<u>\$ 2,168,074</u>			<u>\$ 1,273,708</u>
<u>Business-type Activities</u>				
Revenue Bonds:				
1999 Water and Sewer	\$ 1,100,000	2039	4.75%	\$ 970,000
Wastewater Treatment Plant	1,870,000	2050	2.75%	1,843,800
Loan:				
NMFA - Water Tower	<u>298,044</u>	2025	2.34% to 4.26%	<u>222,757</u>
Total business-type activities	<u>\$ 3,268,044</u>			<u>\$ 3,036,557</u>

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

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 138,181	\$ 65,258	\$ 61,335	\$ 100,488
2013	145,043	58,665	62,316	98,649
2014	168,206	51,907	63,208	96,779
2015	119,220	43,984	64,212	94,876
2016	125,757	37,762	65,226	92,940
2017-2021	577,301	80,282	352,847	434,472
2022-2026	-	-	405,513	371,154
2027-2031	-	-	403,800	300,477
2032-2036	-	-	474,900	218,683
2037-2041	-	-	470,400	124,659
Thereafter	-	-	<u>612,800</u>	<u>88,675</u>
	<u>\$ 1,273,708</u>	<u>\$ 337,858</u>	<u>\$ 3,036,557</u>	<u>\$ 2,021,852</u>

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities					
Loan payable	\$1,318,473	\$ 92,000	\$ 136,765	\$1,273,708	\$ 138,181
Compensated absences	<u>57,985</u>	<u>40,475</u>	<u>42,512</u>	<u>55,948</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$1,376,458</u>	<u>\$ 132,475</u>	<u>\$ 179,277</u>	<u>\$1,329,656</u>	<u>\$ 138,181</u>
Business-type activities					
Revenue bonds	\$2,860,000	\$ -	\$ 46,200	\$2,813,800	\$ 46,900
Loan payable	237,023	-	14,266	222,757	14,435
Compensated absences	<u>10,742</u>	<u>3,841</u>	<u>7,502</u>	<u>7,081</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$3,107,765</u>	<u>\$ 3,841</u>	<u>\$ 67,968</u>	<u>\$3,043,638</u>	<u>\$ 61,335</u>

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

Retirement Plan

Plan Description. Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The City is required to contribute 11.00% and 18.50% 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, 2011, 2010 and 2009 were \$127,083, \$134,519, and \$137,877, respectively, which equal the amount of the required contributions for each fiscal year.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deferred Compensation Plan

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

Retiree Health Care Act Contributions

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

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

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

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

4. DETAILED NOTES ON ALL FUNDS (Continued)

Retiree Health Care Act Contributions (Continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 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 12	1.834%	.917%
FY 13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult 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]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee’s annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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, 2011, 2010 and 2009 were \$17,750, \$12,650 and \$13,560, 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.

4. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2011 was \$49,712.

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.

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.

A Joint Powers Agreement between the City and Torrance County was entered into to provide a basis where by the County can assist the City in repairing roads and streets within the boundaries of the City. The County will provide and operate county equipment and provide personnel necessary to repair exiting street and road surfaces within the City. The City agrees to purchase or provide materials, including costs of transportation necessary to do repair or maintenance. The City will reimburse Torrance County for labor costs, fuel and the use of county equipment. Both parties are accountable for all receipts and disbursements. The JPA expires on December 31, 2014. Torrance County made an in-kind donation of \$61,748 under this JPA for the fiscal year ending June 30, 2011.

Related Party Transactions

The City paid \$22,875 for supplies to Hart's Homecenter, which is owned by Mayor Ted Hart and \$ 4,495 for supplies to Moriarty Pipe and Iron which is owned by Councilman Larry Irvin.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Outlay Appropriations

Capital Outlay appropriations are as follows:

<u>Capital Project Fund</u>	<u>Project Appropriations</u>	<u>Appropriation Period</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>
Police Facility	118,800	5/08 to 6/12	114,314	4,486
Paseo Poniente MAP 9657 (901)	118,771	2/10 to 6/11	118,771	-
Paseo Poniente MAP 9657 (902)	123,240	9/10 to 6/12	123,240	-
Taxiway D Reconstruction-State	<u>14,766</u>	9/10 to 9/13	<u>12,894</u>	<u>1,872</u>
	<u>\$ 375,577</u>		<u>\$ 369,219</u>	<u>\$ 6,358</u>

The term of the grants are contingent upon sufficient state appropriations and may be reverted prior to the expiration dates.

Expenditures in Excess of Budget

Actual expenditures exceeded budgeted expenditures by \$92,001 at the total fund level in the Enforcement Protection Fund.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2011
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Local Government Corrections Fund

This Special Revenue Fund, authorized by State Statute Chapter 35, Section 14-11, is used to account for the proceeds collected from a correction fee of \$10, charged to persons violating an ordinance relating to the operation of a motor vehicle. Expenditures are restricted to constructing, operating and maintaining a municipal jail or restricted for paying the costs of housing municipal prisoners in a county jail.

Cemetery Fund

This Special Revenue Fund, authorized by State Statute Chapter 3, Section 40-1, is used 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 Chapter 7, Section 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, 2011
NONMAJOR GOVERNMENTAL FUNDS**

CAPITAL PROJECTS FUNDS

Police Facility

To account for forfeitures, due to seizure, received by the Police Department and expenditures related to those funds. Also used to account for grant funds from the State of New Mexico to plan design and construct a public safety facility.

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.

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, 2011**

	Special Revenue			
	Corrections Fund	Cemetery Fund	EMS Fund	Fire Protection Fund
ASSETS				
Cash	\$ 6,624	\$ 5,393	\$ 2,839	\$ 6,834
Investments - restricted	-	-	-	-
Accounts receivable	-	-	-	-
Total assets	\$ 6,624	\$ 5,393	\$ 2,839	\$ 6,834
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 836	\$ 2,839	\$ 6,834
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	836	2,839	6,834
 Fund balances:				
Restricted for:				
Special revenue	6,624	4,557	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Total fund balances	6,624	4,557	-	-
Total liabilities and fund balances	\$ 6,624	\$ 5,393	\$ 2,839	\$ 6,834

The accompanying notes are an integral part of these financial statements

Special Revenue					Capital Projects
Juvenile Recreation Fund	Enforcement Protection Fund	Lodgers Tax Fund	Street Fund	Total	Police Facility
\$ -	\$ -	\$ 51,366	\$ 21,847	\$ 94,903	\$ 9,693
-	-	-	-	-	-
-	-	<u>16,808</u>	<u>15,643</u>	<u>32,451</u>	<u>11,008</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,174</u>	<u>\$ 37,490</u>	<u>\$ 127,354</u>	<u>\$ 20,701</u>
\$ -	\$ -	\$ -	\$ 7,374	\$ 17,883	\$ 2,693
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	<u>7,374</u>	<u>17,883</u>	<u>2,693</u>
-	-	68,174	30,116	109,471	-
-	-	-	-	-	18,008
-	-	-	-	-	-
-	-	<u>68,174</u>	<u>30,116</u>	<u>109,471</u>	<u>18,008</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,174</u>	<u>\$ 37,490</u>	<u>\$ 127,354</u>	<u>\$ 20,701</u>

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**STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Capital Projects		Debt Service Civic Center	Total Nonmajor Governmental Funds
	Mainstreet Gateway	Total		
ASSETS				
Cash	\$ -	\$ 9,693	\$ 83,303	\$ 187,899
Investments - restricted	-	-	164,986	164,986
Accounts receivable	-	11,008	-	43,459
Total assets	\$ -	\$ 20,701	\$ 248,289	\$ 396,344
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 2,693	\$ -	\$ 20,576
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	2,693	-	20,576
 Fund balances:				
Restricted for:				
Special revenue	-	-	-	109,471
Capital projects	-	18,008	-	18,008
Debt service	-	-	248,289	248,289
Total fund balances	-	18,008	248,289	375,768
Total liabilities and fund balances	\$ -	\$ 20,701	\$ 248,289	\$ 396,344

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>			
	<u>Corrections Fund</u>	<u>Cemetery Fund</u>	<u>EMS Fund</u>	<u>Fire Protection Fund</u>
REVENUES				
Taxes				
Lodgers' tax	\$ -	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-	-
Licenses and permits	-	6,990	-	-
Intergovernmental	-	-	16,034	151,046
Rents and royalties	-	-	-	-
Fines and forfeitures	8,674	-	-	-
Other	-	4,874	-	-
Investment	-	-	-	-
Total revenues	<u>8,674</u>	<u>11,864</u>	<u>16,034</u>	<u>151,046</u>
EXPENDITURES				
Current:				
Public safety	13,050	-	16,036	130,421
Culture and recreation	-	-	-	-
Health and welfare	-	12,097	-	-
Highways and streets	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	23,925
Total expenditures	<u>13,050</u>	<u>12,097</u>	<u>16,036</u>	<u>154,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,376)</u>	<u>(233)</u>	<u>(2)</u>	<u>(3,300)</u>
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Proceeds from insurance	-	-	-	-
Transfers in (out)	11,000	-	-	-
Total other financing sources (uses)	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,624	(233)	(2)	(3,300)
Fund balances, beginning of year	<u>-</u>	<u>4,790</u>	<u>2</u>	<u>3,300</u>
Fund balances, end of year	<u>\$ 6,624</u>	<u>\$ 4,557</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue					Capital Projects
Juvenile Recreation Fund	Enforcement Protection Fund	Lodgers Tax Fund	Street Fund	Total	Police Facility
\$ -	\$ -	\$ 161,614	\$ -	\$ 161,614	\$ -
-	-	-	177,510	177,510	-
-	-	-	-	6,990	-
-	24,801	6,575	-	198,456	137,533
-	-	11,714	-	11,714	-
-	-	-	-	8,674	-
-	6,243	-	-	11,117	-
-	-	-	-	-	426
-	31,044	179,903	177,510	576,075	137,959
-	284	-	-	159,791	-
-	-	95,987	-	95,987	-
-	-	-	-	12,097	-
-	-	-	192,883	192,883	-
-	24,963	-	-	24,963	-
-	-	-	-	-	-
-	104,413	-	-	128,338	435,065
-	129,660	95,987	192,883	614,059	435,065
-	(98,616)	83,916	(15,373)	(37,984)	(297,106)
-	92,000	-	-	92,000	-
-	-	-	4,667	4,667	1,060
(493)	-	(105,000)	7,574	(86,919)	(9,463)
(493)	92,000	(105,000)	12,241	9,748	(8,403)
(493)	(6,616)	(21,084)	(3,132)	(28,236)	(305,509)
493	6,616	89,258	33,248	137,707	323,517
\$ -	\$ -	\$ 68,174	\$ 30,116	\$ 109,471	\$ 18,008

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**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, 2011**

	<u>Capital Projects</u>		<u>Debt Service Civic Center</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Mainstreet Gateway</u>	<u>Total</u>		
REVENUES				
Taxes				
Lodgers' tax	\$ -	\$ -	\$ -	\$ 161,614
Other state shared taxes	-	-	-	177,510
Licenses and permits	-	-	-	6,990
Intergovernmental	29,470	167,003	-	365,459
Rents and royalties	-	-	-	11,714
Fines and forfeitures	-	-	-	8,674
Other	-	-	-	11,117
Investment	-	426	514	940
Total revenues	<u>29,470</u>	<u>167,429</u>	<u>514</u>	<u>744,018</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	159,791
Culture and recreation	-	-	-	95,987
Health and welfare	-	-	-	12,097
Highways and streets	-	-	-	192,883
Debt service:				
Principal	-	-	96,801	121,764
Interest	-	-	68,559	68,559
Capital outlay	<u>19,559</u>	<u>454,624</u>	<u>-</u>	<u>582,962</u>
Total expenditures	<u>19,559</u>	<u>454,624</u>	<u>165,360</u>	<u>1,234,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,911</u>	<u>(287,195)</u>	<u>(164,846)</u>	<u>(490,025)</u>
Other financing sources (uses):				
Loan proceeds	-	-	-	92,000
Proceeds from insurance	-	1,060	-	5,727
Transfers in (out)	<u>(7,574)</u>	<u>(17,037)</u>	<u>165,360</u>	<u>61,404</u>
Total other financing sources (uses)	<u>(7,574)</u>	<u>(15,977)</u>	<u>165,360</u>	<u>159,131</u>
Net change in fund balances	2,337	(303,172)	514	(330,894)
Fund balances, beginning of year	<u>(2,337)</u>	<u>321,180</u>	<u>247,775</u>	<u>706,662</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 18,008</u>	<u>\$ 248,289</u>	<u>\$ 375,768</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO
CITY OF MORIARTY
CORRECTIONS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines & forfeitures	\$ <u>6,000</u>	\$ <u>6,000</u>	\$ <u>8,674</u>	\$ <u>2,674</u>
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>8,674</u>	<u>2,674</u>
EXPENDITURES				
Current:				
Public safety	<u>12,000</u>	<u>17,000</u>	<u>13,050</u>	<u>3,950</u>
Total expenditures	<u>12,000</u>	<u>17,000</u>	<u>13,050</u>	<u>3,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,000)</u>	<u>(11,000)</u>	<u>(4,376)</u>	<u>6,624</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>6,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Total other financing sources (uses)	<u>6,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,624</u>	<u>\$ 6,624</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
CEMETERY FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Licenses and permits	\$ 4,500	\$ 6,990	\$ 6,990	\$ -
Other	<u>3,000</u>	<u>4,874</u>	<u>4,874</u>	<u>-</u>
Total revenues	<u>7,500</u>	<u>11,864</u>	<u>11,864</u>	<u>-</u>
EXPENDITURES				
Current:				
Health and welfare	<u>7,500</u>	<u>12,115</u>	<u>12,097</u>	<u>18</u>
Total expenditures	<u>7,500</u>	<u>12,115</u>	<u>12,097</u>	<u>18</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (251)</u>	<u>\$ (233)</u>	<u>\$ 18</u>
Beginning cash balance	<u>\$ 5,897</u>	<u>\$ 5,897</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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ <u>16,801</u>	\$ <u>16,034</u>	\$ <u>16,034</u>	\$ <u>-</u>
Total revenues	<u>16,801</u>	<u>16,034</u>	<u>16,034</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	<u>16,803</u>	<u>16,036</u>	<u>16,036</u>	<u>-</u>
Total expenditures	<u>16,803</u>	<u>16,036</u>	<u>16,036</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(2)</u>	<u>\$(2)</u>	<u>\$(2)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 2</u>	<u>\$ 2</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
FIRE PROTECTION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 150,990	\$ 151,046	\$ 151,046	\$ -
Total revenues	<u>150,990</u>	<u>151,046</u>	<u>151,046</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	130,368	130,425	130,421	4
Capital Outlay	<u>23,925</u>	<u>23,925</u>	<u>23,925</u>	<u>-</u>
Total expenditures	<u>154,293</u>	<u>154,350</u>	<u>154,346</u>	<u>4</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,303)</u>	<u>\$ (3,304)</u>	<u>\$ (3,300)</u>	<u>\$ 4</u>
Beginning cash balance	<u>\$ 4,496</u>	<u>\$ 4,496</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF MORIARTY
ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 24,800	\$ 24,801	\$ 24,801	\$ -
Other	<u>-</u>	<u>6,243</u>	<u>6,243</u>	<u>-</u>
Total revenues	<u>24,800</u>	<u>31,044</u>	<u>31,044</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	-	-	284	(284)
Debt Service				
Principal	-	-	24,963	(24,963)
Capital Outlay	<u>31,416</u>	<u>37,659</u>	<u>104,413</u>	<u>(66,754)</u>
Total expenditures	<u>31,416</u>	<u>37,659</u>	<u>129,660</u>	<u>(92,001)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,616)</u>	<u>(6,615)</u>	<u>(98,616)</u>	<u>(92,001)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	<u>-</u>	<u>-</u>	<u>92,000</u>	<u>92,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>92,000</u>	<u>92,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(6,616)</u>	<u>\$(6,615)</u>	<u>\$(6,616)</u>	<u>\$(1)</u>
Beginning cash balance	<u>\$ 8,803</u>	<u>\$ 8,803</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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes:				
Lodgers' tax	\$ 175,000	\$ 175,000	\$ 163,439	\$(11,561)
Intergovernmental	-	2,905	6,575	3,670
Rents and royalties	<u>12,941</u>	<u>12,941</u>	<u>11,714</u>	<u>(1,227)</u>
Total revenues	<u>187,941</u>	<u>190,846</u>	<u>181,728</u>	<u>(9,118)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>106,350</u>	<u>109,255</u>	<u>95,987</u>	<u>13,268</u>
Total expenditures	<u>106,350</u>	<u>109,255</u>	<u>95,987</u>	<u>13,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>81,591</u>	<u>81,591</u>	<u>85,741</u>	<u>4,150</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(105,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(105,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(23,409)</u>	<u>\$(23,409)</u>	<u>\$(19,259)</u>	<u>\$ 4,150</u>
Beginning cash balance	<u>\$ 71,672</u>	<u>\$ 71,672</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(19,259)	
Change in receivables			<u>(1,825)</u>	
Net change in fund balances GAAP basis			<u>\$(21,084)</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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes:				
Other state shared taxes	\$ <u>177,000</u>	\$ <u>179,664</u>	\$ <u>179,664</u>	\$ <u>-</u>
Total revenues	<u>177,000</u>	<u>179,664</u>	<u>179,664</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	<u>177,000</u>	<u>193,113</u>	<u>192,883</u>	<u>230</u>
Total expenditures	<u>177,000</u>	<u>193,113</u>	<u>192,883</u>	<u>230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(13,449)</u>	<u>(13,219)</u>	<u>230</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>7,574</u>	<u>7,574</u>	<u>-</u>
Proceeds from insurance	<u>-</u>	<u>4,667</u>	<u>4,667</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>12,241</u>	<u>12,241</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (1,208)</u>	<u>\$ (978)</u>	<u>\$ 230</u>
Beginning cash balance	<u>\$ 23,149</u>	<u>\$ 23,149</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(978)	
Change in receivables			<u>(2,154)</u>	
Net change in fund balances GAAP basis			<u>\$(3,132)</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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 260,651	\$ 393,936	\$ 275,166	\$(118,770)
Other	<u>17,585</u>	<u>17,585</u>	<u>-</u>	<u>(17,585)</u>
Total revenues	<u>278,236</u>	<u>411,521</u>	<u>275,166</u>	<u>(136,355)</u>
EXPENDITURES				
Capital Outlay	<u>303,819</u>	<u>460,550</u>	<u>369,807</u>	<u>90,743</u>
Total expenditures	<u>303,819</u>	<u>460,550</u>	<u>369,807</u>	<u>90,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,583)</u>	<u>(49,029)</u>	<u>(94,641)</u>	<u>(45,612)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>76,591</u>	<u>107,767</u>	<u>31,176</u>
Total other financing sources (uses)	<u>-</u>	<u>76,591</u>	<u>107,767</u>	<u>31,176</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(25,583)</u>	<u>\$ 27,562</u>	<u>\$ 13,126</u>	<u>\$(14,436)</u>
Beginning cash balance	<u>\$ 27,196</u>	<u>\$ 27,196</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 13,126	
Change in receivables			164,808	
Change in payables			(103,350)	
Change in deferred revenue			<u>35,578</u>	
Net change in fund balances GAAP basis			<u>\$ 110,162</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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental	\$ 287,400	\$ 287,400	\$ 275,774	\$(11,626)
Investment	<u>2,000</u>	<u>2,000</u>	<u>426</u>	<u>(1,574)</u>
Total revenues	<u>289,400</u>	<u>289,400</u>	<u>276,200</u>	<u>(13,200)</u>
EXPENDITURES				
Capital Outlay	<u>500,107</u>	<u>500,107</u>	<u>435,065</u>	<u>65,042</u>
Total expenditures	<u>500,107</u>	<u>500,107</u>	<u>435,065</u>	<u>65,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(210,707)</u>	<u>(210,707)</u>	<u>(158,865)</u>	<u>51,842</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(25,000)	(9,463)	(9,463)	-
Proceeds from insurance	<u>51,290</u>	<u>51,291</u>	<u>51,291</u>	<u>-</u>
Total other financing sources (uses)	<u>26,290</u>	<u>41,828</u>	<u>41,828</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u><u>\$(184,417)</u></u>	<u><u>\$(168,879)</u></u>	<u><u>\$(117,037)</u></u>	<u><u>\$ 51,842</u></u>
Beginning cash balance	<u><u>\$ 184,417</u></u>	<u><u>\$ 184,417</u></u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(117,037)	
Change in receivables			(275,775)	
Change in deferred revenue			<u>87,303</u>	
Net change in fund balances GAAP basis			<u><u>\$(305,509)</u></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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 48,460	\$ 48,460	\$ 48,492	\$ 32
Total revenues	48,460	48,460	48,492	32
EXPENDITURES				
Capital Outlay	30,000	30,000	22,459	7,541
Total expenditures	30,000	30,000	22,459	7,541
Excess (deficiency) of revenues over (under) expenditures	18,460	18,460	26,033	7,573
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	(7,574)	(7,574)	-
Total other financing sources (uses)	-	(7,574)	(7,574)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 18,460	\$ 10,886	\$ 18,459	\$ 7,573
Beginning cash balance	\$ -	\$ -		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 18,459	
Change in receivables			(21,922)	
Change in payables			2,900	
Change in deferred revenue			2,900	
Net change in fund balances GAAP basis			\$ 2,337	

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 (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Investment	\$ -	\$ -	\$ 514	\$ 514
Total revenues	<u>-</u>	<u>-</u>	<u>514</u>	<u>514</u>
EXPENDITURES				
Debt Service				
Principal	96,801	96,801	96,801	-
Interest	<u>68,403</u>	<u>68,559</u>	<u>68,559</u>	<u>-</u>
Total expenditures	<u>165,204</u>	<u>165,360</u>	<u>165,360</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,204)</u>	<u>(165,360)</u>	<u>(164,846)</u>	<u>514</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>165,204</u>	<u>165,360</u>	<u>165,360</u>	<u>-</u>
Total other financing sources (uses)	<u>165,204</u>	<u>165,360</u>	<u>165,360</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514</u>	<u>\$ 514</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

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 ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 358,230	\$ 373,054	\$ 381,785	\$ 8,731
Total operating revenues	<u>358,230</u>	<u>373,054</u>	<u>381,785</u>	<u>8,731</u>
Operating expenses:				
Personnel services	126,717	163,575	141,203	22,372
Contract services	9,280	9,280	9,280	-
Other operating expense	<u>154,418</u>	<u>154,418</u>	<u>154,418</u>	<u>-</u>
Total operating expenses	<u>290,415</u>	<u>327,273</u>	<u>304,901</u>	<u>22,372</u>
Net operating income excluding non-budgeted expenses	<u>67,815</u>	<u>45,781</u>	<u>76,884</u>	<u>31,103</u>
Non-operating revenues (expenses):				
Interest	(145,704)	(78,313)	(49,755)	28,558
Proceeds from insurance	<u>-</u>	<u>10,035</u>	<u>10,035</u>	<u>-</u>
Total non-operating revenues (deductions)	<u>(145,704)</u>	<u>(68,278)</u>	<u>(39,720)</u>	<u>28,558</u>
Net income loss excluding non-budgeted expenses	<u>(77,889)</u>	<u>(22,497)</u>	<u>37,164</u>	<u>59,661</u>
Other financing sources (uses):				
Capital contributions	78,682	78,682	16,202	(62,480)
Transfers in (out)	<u>93,291</u>	<u>(79,080)</u>	<u>(45,501)</u>	<u>33,579</u>
Total other financing sources (uses)	<u>171,973</u>	<u>(398)</u>	<u>(29,299)</u>	<u>(28,901)</u>
Less non-budgeted revenues (expenses):				
Interest earned	-	-	44	44
Depreciation	<u>-</u>	<u>-</u>	<u>(126,155)</u>	<u>(126,155)</u>
Total non-budgeted revenues (expenses)	<u>-</u>	<u>-</u>	<u>(126,111)</u>	<u>(126,111)</u>
Net income (loss)	<u>\$ 94,084</u>	<u>\$ (22,895)</u>	<u>\$ (118,246)</u>	<u>\$ (95,351)</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 ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 288,170	\$ 288,170	\$ 282,970	\$(5,200)
Miscellaneous	-	-	391	391
Total operating revenues	<u>288,170</u>	<u>288,170</u>	<u>283,361</u>	<u>(4,809)</u>
Operating expenses:				
Other operating expense	194,879	194,876	186,607	8,269
Total operating expenses	<u>194,879</u>	<u>194,876</u>	<u>186,607</u>	<u>8,269</u>
Net operating income excluding non-budgeted expenses	<u>93,291</u>	<u>93,294</u>	<u>96,754</u>	<u>3,460</u>
Non-operating revenues (expenses):				
Interest	-	(67,394)	(27,218)	40,176
Investment	-	-	4	4
Proceeds from insurance	-	-	5,876	5,876
Total non-operating revenues (deductions)	<u>-</u>	<u>(67,394)</u>	<u>(21,338)</u>	<u>46,056</u>
Net income loss excluding non-budgeted expenses	<u>93,291</u>	<u>25,900</u>	<u>75,416</u>	<u>49,516</u>
Other financing sources (uses):				
Transfers in (out)	(93,291)	25,900	26,325	425
Total other financing sources (uses)	<u>(93,291)</u>	<u>25,900</u>	<u>26,325</u>	<u>425</u>
Less non-budgeted expenses:				
Depreciation	-	-	101,993	(101,993)
Total non-budgeted revenues (expenses)	<u>-</u>	<u>-</u>	<u>101,993</u>	<u>(101,993)</u>
Capital contributions	<u>1,785,187</u>	<u>1,785,187</u>	<u>1,209,112</u>	<u>(576,075)</u>
Net income (loss)	<u>\$ 1,785,187</u>	<u>\$ 1,836,987</u>	<u>\$ 1,208,860</u>	<u>\$(424,141)</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 ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 351,500	\$ 351,500	\$ 316,309	\$(35,191)
Total operating revenues	<u>351,500</u>	<u>351,500</u>	<u>316,309</u>	<u>(35,191)</u>
Operating expenses:				
Contract services	348,765	348,765	319,713	29,052
Other operating expense	<u>2,735</u>	<u>2,735</u>	<u>2,735</u>	<u>-</u>
Total operating expenses	<u>351,500</u>	<u>351,500</u>	<u>322,448</u>	<u>29,052</u>
Net operating income (loss)	<u>-</u>	<u>-</u>	<u>(6,139)</u>	<u>(6,139)</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$(6,139)</u>	<u>\$(6,139)</u>

The accompanying notes are an integral part of these financial statements

OTHER SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2011**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
<i>Federal Aviation Administration</i>			
Airport - Rehabilitation of Runway 8-26 and Associated Taxiways Grant Award \$1,620,426	20.106	3-35-0029-009-2009	\$ 490,178
Airport - Acquire Land for Crosswind Rundway Grant Award \$327,465	20.106	3-35-0029-008-2007	61,395
U.S. Department of Agriculture			
<i>Rural Development</i>			
Water and Waste Disposal Systems for Rural Communities Grant Award \$1,507,000	10.760		743,472
U.S. Department of Justice			
<i>Office of Community Oriented Policing Services</i>			
2010 Cops Hiring Program Grant Award \$146,188	16.710	2010UMWX0232	16,211
OJJDP Enforcing the Underage Drinking Laws, Block Grant Grant Award \$25,000	16.727	09-690-8299-2	<u>23,155</u>
Total Federal Financial Awards Expenditures			<u>\$ 1,334,411</u>

Note A - Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.



**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 major 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, 2011, and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

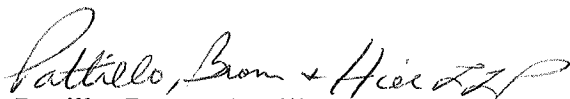
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 2011-A and 2011-B.

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

November 8, 2011



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

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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 City of Moriarty, New Mexico's, (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of 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 the 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 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 the responses.

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

November 8, 2011

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**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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)?	No
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
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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, 2011**

Section II - Financial Statement Findings

Prior Year

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

Current Year

2011-A	Expenditures in Excess of Budget
2011-B	Misappropriation of Equipment and Supplies

**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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

Prior Year

2010-D Cash Management on Federal Grants –Resolved

Current Year

None

**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

EXIT CONFERENCE

An exit conference was held on November 8, 2011 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.