

**STATE OF NEW MEXICO
CITY OF MORIARTY
AUDIT REPORT
JUNE 30, 2012**

STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2012

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2012**

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 of the City of Moriarty, New Mexico (City), as of and for the year ended June 30, 2012, 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, 2012, 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.

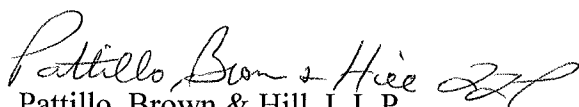
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2012, 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 October 29, 2012 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.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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

October 29, 2012

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 1,065,012	\$ 52,819	\$ 1,117,831
Receivables (net of allowances for uncollectible)	399,765	96,201	495,966
Restricted cash and investments	176,853	292,424	469,277
Prepaid expenses	6,554	-	6,554
Total current assets	<u>1,648,184</u>	<u>441,444</u>	<u>2,089,628</u>
Noncurrent assets:			
Capital assets not being depreciated			
Land	1,792,451	945,808	2,738,259
Construction in progress	331,774	3,381,696	3,713,470
Capital assets being depreciated, net	<u>14,928,485</u>	<u>4,444,192</u>	<u>19,372,677</u>
Total capital assets	<u>17,052,710</u>	<u>8,771,696</u>	<u>25,824,406</u>
Total noncurrent assets	<u>17,052,710</u>	<u>8,771,696</u>	<u>25,824,406</u>
Other assets:			
Bond issue costs	-	20,435	20,435
Total other assets	<u>-</u>	<u>20,435</u>	<u>20,435</u>
Total assets	<u>\$ 18,700,894</u>	<u>\$ 9,233,575</u>	<u>\$ 27,934,469</u>

The accompanying notes are an integral part of these financial statements

LIABILITIES	Governmental Activities	Business-type Activities	Total
Current liabilities:			
Accounts payable	\$ 227,105	\$ 43,411	\$ 270,516
Accrued payroll expenses	323	2,672	2,995
Meter deposits	-	75,906	75,906
Accrued interest payable	4,610	50,256	54,866
Customer prepaid - bulk water	-	13,523	13,523
Current portion long term debt	<u>158,783</u>	<u>62,316</u>	<u>221,099</u>
Total current liabilities	<u>390,821</u>	<u>248,084</u>	<u>638,905</u>
Noncurrent liabilities:			
Compensated absences	53,423	10,053	63,476
Loan payable	1,031,739	193,706	1,225,445
Bonds payable	<u>-</u>	<u>2,719,200</u>	<u>2,719,200</u>
Total noncurrent liabilities	<u>1,085,162</u>	<u>2,922,959</u>	<u>4,008,121</u>
Total liabilities	<u>1,475,983</u>	<u>3,171,043</u>	<u>4,647,026</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,857,578	5,746,218	21,603,796
Restricted for:			
Debt service	252,180	216,518	468,698
Capital projects	7,160	-	7,160
Unrestricted	<u>1,107,993</u>	<u>99,796</u>	<u>1,207,789</u>
Total net assets	<u>\$ 17,224,911</u>	<u>\$ 6,062,532</u>	<u>\$ 23,287,443</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 1,041,454	\$ 95,838	\$ 42,686	\$ -
Public safety	1,285,155	32,257	248,208	31
Culture and recreation	629,198	43,815	13,104	-
Health and welfare	166,727	-	-	-
Highways and streets	477,390	60,488	627	419,856
Interest on long-term debt	67,684	-	-	-
Total governmental activities	<u>3,667,608</u>	<u>232,398</u>	<u>304,625</u>	<u>419,887</u>
Business-type activities:				
Water	442,218	337,704	-	-
Sewer	376,782	276,592	-	62,182
Solid waste	313,935	310,339	-	-
Total business-type activities	<u>1,132,935</u>	<u>924,635</u>	<u>-</u>	<u>62,182</u>
Total primary government	<u>\$ 4,800,543</u>	<u>\$ 1,157,033</u>	<u>\$ 304,625</u>	<u>\$ 482,069</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
\$(902,930)	\$ -	\$(902,930)
(1,004,659)	-	(1,004,659)
(572,279)	-	(572,279)
(166,727)	-	(166,727)
3,581	-	3,581
(67,684)	-	(67,684)
<u>(2,710,698)</u>	<u>-</u>	<u>(2,710,698)</u>
-	(104,514)	(104,514)
-	(38,008)	(38,008)
-	(3,596)	(3,596)
<u>-</u>	<u>(146,118)</u>	<u>(146,118)</u>
<u>(2,710,698)</u>	<u>(146,118)</u>	<u>(2,856,816)</u>
61,422	-	61,422
258,963	-	258,963
1,984,349	-	1,984,349
156,256	-	156,256
8,346	-	8,346
-	-	-
2,507	107	2,614
<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<u>2,461,843</u>	<u>10,107</u>	<u>2,471,950</u>
(248,855)	(136,011)	(384,866)
<u>17,473,766</u>	<u>6,198,543</u>	<u>23,672,309</u>
<u>\$ 17,224,911</u>	<u>\$ 6,062,532</u>	<u>\$ 23,287,443</u>

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**STATE OF NEW MEXICO
CITY OF MORIARTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

ASSETS	<u>General</u>	<u>Airport Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 806,559	\$ 20,687	\$ 237,766	\$ 1,065,012
Investments - restricted	11,160	-	165,693	176,853
Accounts receivable (net of allowance)	158,292	153,959	87,514	399,765
Prepaid expenses	<u>6,554</u>	<u>-</u>	<u>-</u>	<u>6,554</u>
Total assets	<u>\$ 982,565</u>	<u>\$ 174,646</u>	<u>\$ 490,973</u>	<u>\$ 1,648,184</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 37,985	\$ 170,352	\$ 18,768	\$ 227,105
Accrued payroll liabilities	323	-	-	323
Deferred revenue	<u>-</u>	<u>-</u>	<u>56,925</u>	<u>56,925</u>
Total liabilities	<u>38,308</u>	<u>170,352</u>	<u>75,693</u>	<u>284,353</u>
 Fund balances:				
Non-spendable:				
Prepaid expenses	6,554	-	-	6,554
Restricted for:				
Special revenue	-	-	163,249	163,249
Capital projects	-	4,294	2,866	7,160
Debt service	3,015	-	249,165	252,180
Unassigned	<u>934,688</u>	<u>-</u>	<u>-</u>	<u>934,688</u>
Total fund balances	<u>944,257</u>	<u>4,294</u>	<u>415,280</u>	<u>1,363,831</u>
Total liabilities and fund balances	<u>\$ 982,565</u>	<u>\$ 174,646</u>	<u>\$ 490,973</u>	<u>\$ 1,648,184</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 BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Fund Balances - Total Governmental Funds	\$ 1,363,831
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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	\$ 25,156,154	
Less accumulated depreciation	(<u>8,103,444</u>)	17,052,710

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

56,925

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	(1,190,522)	
Accrued interest payable	(4,610)	
Compensated absences	(<u>53,423</u>)	(<u>1,248,555</u>)

Net assets of governmental activities	\$ <u><u>17,224,911</u></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, 2012**

	<u>General</u>	<u>Airport Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,984,349	\$ -	\$ -	\$ 1,984,349
Property taxes	61,422	-	-	61,422
Lodgers' tax	-	-	156,256	156,256
Other state shared taxes	26,424	-	232,539	258,963
Franchise taxes	8,346	-	-	8,346
Licenses and permits	7,572	-	5,875	13,447
Intergovernmental				
Federal	56,985	261,890	14,783	333,658
State	54,568	29,173	246,320	330,061
Rents and royalties	68,392	-	85,351	153,743
Fines and forfeitures	14,505	-	10,360	24,865
Charges for services	8,837	-	-	8,837
Other	28,561	-	6,813	35,374
Investment	1,779	-	728	2,507
Total revenues	<u>2,321,740</u>	<u>291,063</u>	<u>759,025</u>	<u>3,371,828</u>
EXPENDITURES				
Current:				
General government	684,626	-	-	684,626
Public safety	985,882	-	177,902	1,163,784
Culture and recreation	359,287	-	85,139	444,426
Health and welfare	160,039	-	6,768	166,807
Highways and streets	-	-	249,737	249,737
Debt service:				
Principal	15,206	-	136,716	151,922
Interest	915	-	67,200	68,115
Capital outlay	<u>84,450</u>	<u>287,846</u>	<u>215,236</u>	<u>587,532</u>
Total expenditures	<u>2,290,405</u>	<u>287,846</u>	<u>938,698</u>	<u>3,516,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,335</u>	<u>3,217</u>	<u>(179,673)</u>	<u>(145,121)</u>
Other financing sources (uses):				
Capital lease transaction	-	-	68,736	68,736
Transfers in (out)	(23,071)	1,077	11,994	(10,000)
Total other financing sources (uses)	<u>(23,071)</u>	<u>1,077</u>	<u>80,730</u>	<u>58,736</u>
Net change in fund balances	8,264	4,294	(98,943)	(86,385)
Fund balances, beginning of year	930,149	-	520,067	1,450,216
Restatement	5,844	-	(5,844)	-
Fund balances, as restated	<u>935,993</u>	<u>-</u>	<u>514,223</u>	<u>1,450,216</u>
Fund balances, end of year	<u>\$ 944,257</u>	<u>\$ 4,294</u>	<u>\$ 415,280</u>	<u>\$ 1,363,831</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, 2012**

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

Net change in fund balances - total governmental funds	\$(86,385)
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 depreciation expense exceeded capital outlay.	(305,537)
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.	83,186
Recognition of accounts receivable and deferred revenue is reflected on the full accrual basis within the statement of activities. The City has determined that the receivables are not available, therefore the revenues have been deferred within the governmental funds.	56,925
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>2,956</u>
Change in net assets of governmental activities	<u><u>\$(248,855)</u></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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,918,500	\$ 1,968,500	\$ 2,009,198	\$ 40,698
Property taxes	54,354	54,354	63,481	9,127
Other state shared taxes	21,700	21,700	26,703	5,003
Franchise taxes	9,800	9,800	8,057	(1,743)
Licenses and permits	9,500	9,500	7,572	(1,928)
Intergovernmental				
Federal	42,796	48,007	53,528	5,521
State	45,765	53,069	64,786	11,717
Rents and royalties	67,792	67,792	67,692	(100)
Fines & forfeitures	8,000	8,000	14,445	6,445
Charges for services	6,600	6,600	8,837	2,237
Other	10,500	12,900	28,561	15,661
Investment	400	400	1,779	1,379
Total revenues	2,195,707	2,260,622	2,354,639	94,017
EXPENDITURES				
Current:				
General government	633,669	691,412	679,692	11,720
Public safety	954,208	941,918	985,882	(43,964)
Culture and recreation	358,937	360,437	359,287	1,150
Health and welfare	260,965	236,809	193,703	43,106
Debt Service				
Principal	15,206	15,206	15,206	-
Interest	915	915	915	-
Capital Outlay	-	84,450	84,450	-
Total expenditures	2,223,900	2,331,147	2,319,135	12,012
Excess (deficiency) of revenues over (under) expenditures	(28,193)	(70,525)	35,504	106,029
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(69,295)	(69,295)	(69,295)	-
Total other financing sources (uses)	(69,295)	(69,295)	(69,295)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$(97,488)	\$(139,820)	\$(33,791)	\$ 106,029
Beginning cash balance	\$ 844,932	\$ 844,932		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(33,791)	
Change in receivables			(32,899)	
Change in prepaid expenses			(1,420)	
Change in payables			80,143	
Change in accrued payroll			(3,769)	
Net change in fund balances GAAP basis			\$ 8,264	

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, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash	\$ 21,436	\$ 2,450	\$ 28,933	\$ 52,819
Accounts receivable (net of allowance for uncollectible)	<u>32,997</u>	<u>33,170</u>	<u>30,034</u>	<u>96,201</u>
Total current assets	<u>54,433</u>	<u>35,620</u>	<u>58,967</u>	<u>149,020</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments:				
Meter deposits	37,953	37,953	-	75,906
Bond proceeds and reserves	<u>130,021</u>	<u>86,497</u>	<u>-</u>	<u>216,518</u>
Total restricted assets	<u>167,974</u>	<u>124,450</u>	<u>-</u>	<u>292,424</u>
Capital assets:				
Non-depreciable assets				
Land	587,201	357,807	800	945,808
Construction in progress	-	3,381,696	-	3,381,696
Depreciable assets, net	<u>2,616,483</u>	<u>1,827,709</u>	<u>-</u>	<u>4,444,192</u>
Total capital assets	<u>3,203,684</u>	<u>5,567,212</u>	<u>800</u>	<u>8,771,696</u>
Other assets-bond issue costs	<u>-</u>	<u>20,435</u>	<u>-</u>	<u>20,435</u>
Total noncurrent assets	<u>3,371,658</u>	<u>5,712,097</u>	<u>800</u>	<u>9,084,555</u>
Total assets	<u>\$ 3,426,091</u>	<u>\$ 5,747,717</u>	<u>\$ 59,767</u>	<u>\$ 9,233,575</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 8,468	\$ 9,859	\$ 25,084	\$ 43,411
Accrued payroll expenses	1,939	733	-	2,672
Meter deposits	37,953	37,953	-	75,906
Accrued interest	37,604	12,652	-	50,256
Customer prepaid - bulk water	13,523	-	-	13,523
Current portion of long term debt	<u>34,616</u>	<u>27,700</u>	<u>-</u>	<u>62,316</u>
Total current liabilities	<u>134,103</u>	<u>88,897</u>	<u>25,084</u>	<u>248,084</u>
Noncurrent liabilities:				
Compensated absences	8,089	1,964	-	10,053
Loan payable	193,706	-	-	193,706
Revenue bond	<u>930,000</u>	<u>1,789,200</u>	<u>-</u>	<u>2,719,200</u>
Total noncurrent liabilities	<u>1,131,795</u>	<u>1,791,164</u>	<u>-</u>	<u>2,922,959</u>
Total liabilities	<u>1,265,898</u>	<u>1,880,061</u>	<u>25,084</u>	<u>3,171,043</u>
Net Assets				
Invested in capital assets, net of related debt	2,007,758	3,737,660	800	5,746,218
Restricted for debt service	130,021	86,497	-	216,518
Unrestricted	<u>22,414</u>	<u>43,499</u>	<u>33,883</u>	<u>99,796</u>
Total net assets	<u>\$ 2,160,193</u>	<u>\$ 3,867,656</u>	<u>\$ 34,683</u>	<u>\$ 6,062,532</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, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 337,704	\$ 276,592	\$ 310,339	\$ 924,635
Total operating revenues	<u>337,704</u>	<u>276,592</u>	<u>310,339</u>	<u>924,635</u>
Operating expenses:				
Personnel services	130,068	59,270	-	189,338
Depreciation	126,735	101,993	-	228,728
Contract services	5,487	-	313,114	318,601
Other operating expense	<u>131,026</u>	<u>164,999</u>	<u>821</u>	<u>296,846</u>
Total operating expenses	<u>393,316</u>	<u>326,262</u>	<u>313,935</u>	<u>1,033,513</u>
Operating income (loss)	<u>(55,612)</u>	<u>(49,670)</u>	<u>(3,596)</u>	<u>(108,878)</u>
Non-operating revenues (expenses):				
Interest	(48,902)	(50,520)	-	(99,422)
Investment	95	12	-	107
Federal grant	<u>-</u>	<u>62,182</u>	<u>-</u>	<u>62,182</u>
Total non-operating revenues (expenses)	<u>(48,807)</u>	<u>11,674</u>	<u>-</u>	<u>(37,133)</u>
Income (loss) before contributions and transfers	<u>(104,419)</u>	<u>(37,996)</u>	<u>(3,596)</u>	<u>(146,011)</u>
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Change in net assets	<u>(104,419)</u>	<u>(27,996)</u>	<u>(3,596)</u>	<u>(136,011)</u>
Total net assets - beginning	<u>2,264,612</u>	<u>3,895,652</u>	<u>38,279</u>	<u>6,198,543</u>
Total net assets - ending	<u>\$ 2,160,193</u>	<u>\$ 3,867,656</u>	<u>\$ 34,683</u>	<u>\$ 6,062,532</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 CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 357,923	\$ 278,310	\$ 308,690	\$ 944,923
Payments to employees for services	(133,652)	(56,573)	-	(190,225)
Payments to suppliers for goods and services	<u>(132,980)</u>	<u>(170,429)</u>	<u>(315,143)</u>	<u>(618,552)</u>
Net cash provided (used) by operating activities	<u>91,291</u>	<u>51,308</u>	<u>(6,453)</u>	<u>136,146</u>
Cash flows from noncapital financing activities				
Transfers to other funds	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net cash provided (used) by capital and related activities	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Cash flows from capital and related financing activities				
Federal grant	-	62,182	-	62,182
Acquisition of fixed assets	(9,539)	(57,954)	-	(67,493)
Principal paid on debt	(34,435)	(26,900)	-	(61,335)
Interest paid on debt	<u>(49,694)</u>	<u>(50,706)</u>	<u>-</u>	<u>(100,400)</u>
Net cash provided (used) by capital and related activities	<u>(93,668)</u>	<u>(73,378)</u>	<u>-</u>	<u>(167,046)</u>
Cash flows from investing activities				
Transfer (to) from restricted cash	(9,135)	(16,512)	-	(25,647)
Interest on investments	<u>95</u>	<u>12</u>	<u>-</u>	<u>107</u>
Net cash provided by investing activities	<u>(9,040)</u>	<u>(16,500)</u>	<u>-</u>	<u>(25,540)</u>
Net increase in cash and cash equivalents	(11,417)	(28,570)	(6,453)	(46,440)
Cash and equivalents beginning of year	<u>32,853</u>	<u>31,020</u>	<u>35,386</u>	<u>99,259</u>
Cash and equivalents end of year	<u>\$ 21,436</u>	<u>\$ 2,450</u>	<u>\$ 28,933</u>	<u>\$ 52,819</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$(55,612)	\$(49,670)	\$(3,596)	\$(108,878)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	126,735	101,993	-	228,728
Change in assets and liabilities:				
Receivables, net	5,885	151,109	(1,649)	155,345
Bond issue costs	-	538	-	538
Customer deposits	811	811	-	1,622
Customer advances	13,523	-	-	13,523
Accounts and other payables	3,533	(156,170)	(1,208)	(153,845)
Accrued expenses	<u>(3,584)</u>	<u>2,697</u>	<u>-</u>	<u>(887)</u>
Net cash provided by operating activities	<u>\$ 91,291</u>	<u>\$ 51,308</u>	<u>\$(6,453)</u>	<u>\$ 136,146</u>

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

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**STATE OF NEW MEXICO
CITY OF MORIARTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide Fund Financial Statements

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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

The **Capital Project Airport Improvement Fund** is used to account for the revenue and expenditures associated with the Airport Improvements approved by the State of New Mexico and funded by federal and state grants.

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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 and Software	3
Vehicles	5 - 7
Equipment and Machinery	5 - 20
Buildings	40
Plant and Distributing System	40

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

Long-term Obligations

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

Fund Balances

In the fund financial statements, governmental funds report 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balances (Continued)

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.

Statement of Cash Flows

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund 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	\$ 587,532
Depreciation expense	<u>(893,069)</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>\$ (305,537)</u>

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

Loan proceeds:	
Equipment loan	\$ -
Lease proceeds:	
Capital lease	68,736
Principal repayments:	
Loan payable	(117,072)
Lease payable	<u>(34,850)</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>\$ (83,186)</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, “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	\$ 2,525
Accrued interest - (increase) decrease	<u>431</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>\$ 2,956</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to June 1, the City Clerk-Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year’s history. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The City Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico Department of Finance, Division of Local Governments. The original budget that was adopted in July 2011 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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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, 2012, 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, 2012, 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>6/30/2012</u>	Add Deposits <u>In Transit</u>	Less Outstanding <u>Checks</u>	<u>Adjustment</u>	Balance Per Books <u>6/30/2012</u>
Wells Fargo					
Checking Accounts					
Operating	\$ 333,314	\$ 8,828	\$(108,443)	\$ -	\$ 233,699
Water & Sewer Trust	49,817	-	(682)	(74)	49,061
Revenue Bond & Interest	59,200	-	-	-	59,200
WWTP Construction	34	-	-	(34)	-
Court Fund	2,360	-	-	-	2,360
Court Bonds	3,082	-	-	-	3,082
Sewer Bond & Interest Reserves	18,113	-	-	-	18,113
Water Bond & Interest Reserves	47,696	-	-	-	47,696
Sewer Bond Reserve	50,200	-	-	(82)	50,118
Sewer Asset Management	18,267	-	-	-	18,267
US Bank					
Savings	3,988	-	-	-	3,988
Checking	814,759	-	-	-	814,759
New Mexico Finance Authority					
Debt Service Accounts	91,489	-	-	-	91,489
Bank of NY Mellon					
Loan Reserve Accounts	<u>194,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,976</u>
Total Cash in Banks	<u>\$ 1,687,295</u>	<u>\$ 8,828</u>	<u>\$(109,125)</u>	<u>\$ (190)</u>	1,586,808
Plus Cash on Hand					<u>300</u>
					<u>\$ 1,587,108</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	US Bank	Total
Deposits	\$ 582,083	\$ 818,747	\$ 1,400,830
FDIC	(84,076)	(250,000)	(334,076)
Covered by Section 343 of the Dodd-Frank Act	<u>(498,007)</u>	<u>-</u>	<u>(498,007)</u>
Total uninsured public funds	-	568,747	568,747
Collateral pledged:			
US Bank Cincinnati			
GNRA 2009-75			
CUSIP 38376CKV0; 06/20/2039	<u>-</u>	<u>569,179</u>	<u>569,179</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the City's name	<u>-</u>	<u>569,179</u>	<u>569,179</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement			
(50% of uninsured funds)	\$ -	\$ 284,374	\$ 284,374
Pledged collateral	<u>-</u>	<u>569,179</u>	<u>569,179</u>
Over (under) collateralized	<u>\$ -</u>	<u>\$ 284,806</u>	<u>\$ 284,806</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, 2012, \$568,747 of the City’s bank balance of \$1,400,830 was exposed to custodial credit risk as follows:

	Wells Fargo Bank	First Community Bank	Total
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department or agent, not in the City's name	-	568,747	568,747
Total	<u>\$ -</u>	<u>\$ 568,747</u>	<u>\$ 568,747</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	83,472
Water Tower	<u>5,002</u>
Total	<u>\$ 91,489</u>

As of June 30, 2012, the City held \$194,976 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, 2012 these investments were held for the following Loan Reserve Accounts:

Loan Reserve Account Civic Center	\$ 165,693
Loan Reserve Account Ambulance	11,160
Loan Reserve Account Water Tower	<u>18,123</u>
Total	<u>\$ 194,976</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	Airport Improvements	Other Governmental Funds	Water	Sewer	Solid Waste	
Receivables:							
Customer accounts	\$ -	\$ -	\$ -	\$ 34,873	\$ 33,170	\$ 30,034	\$ 98,077
Fines and fees	1,360	-	1,000	-	-	-	2,360
Property taxes	1,029	-	-	-	-	-	1,029
Sales tax	133,381	-	-	-	-	-	133,381
State shared tax	-	-	13,861	-	-	-	13,861
Franchise	2,903	-	-	-	-	-	2,903
Intergovernmental	17,176	153,959	58,735	-	-	-	229,870
Lodger's tax	-	-	13,918	-	-	-	13,918
Rents and royalties	700	-	-	-	-	-	700
Motor vehicle fees	1,743	-	-	-	-	-	1,743
Gross receivables	158,292	153,959	87,514	34,873	33,170	30,034	497,842
Less allowance for uncollectibles	-	-	-	1,876	-	-	1,876
Total	<u>\$ 158,292</u>	<u>\$ 153,959</u>	<u>\$ 87,514</u>	<u>\$ 32,997</u>	<u>\$ 33,170</u>	<u>\$ 30,034</u>	<u>\$ 495,966</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments/ Reclassification	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,792,451	\$ -	\$ -	\$ -	\$ 1,792,451
Construction in progress	-	331,774	-	-	331,774
Total capital assets not being depreciated	<u>1,792,451</u>	<u>331,774</u>	<u>-</u>	<u>-</u>	<u>2,124,225</u>
Capital assets, being depreciated:					
Buildings and improvements	4,835,444	84,450	-	-	4,919,894
Furniture and equipment	2,406,504	128,736	(112,599)	-	2,422,641
Land improvements	9,098,475	31,267	-	-	9,129,742
Infrastructure	6,548,347	11,305	-	-	6,559,652
Total capital assets being depreciated	<u>22,888,770</u>	<u>255,758</u>	<u>(112,599)</u>	<u>-</u>	<u>23,031,929</u>
Less accumulated depreciation:					
Buildings and improvements	1,349,773	144,879	-	-	1,494,652
Furniture and equipment	1,768,990	132,280	(112,599)	-	1,788,671
Land improvements	2,765,947	386,720	-	-	3,152,667
Infrastructure	1,438,264	229,190	-	-	1,667,454
Total accumulated depreciation	<u>7,322,974</u>	<u>893,069</u>	<u>(112,599)</u>	<u>-</u>	<u>8,103,444</u>
Total capital assets being depreciated, net	<u>15,565,796</u>	<u>(637,311)</u>	<u>-</u>	<u>-</u>	<u>14,928,485</u>
Governmental activities capital assets, net	<u>\$ 17,358,247</u>	<u>\$ (305,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,052,710</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Adjustments/ Reclassification	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 945,808	\$ -	\$ -	\$ -	\$ 945,808
Construction in progress	3,323,742	57,954	-	-	3,381,696
Total capital assets not being depreciated	<u>4,269,550</u>	<u>57,954</u>	<u>-</u>	<u>-</u>	<u>4,327,504</u>
Capital assets, being depreciated:					
Plant and distributing system	7,900,771	-	-	-	7,900,771
Machinery and equipment	141,804	9,539	(35,000)	-	116,343
Total capital assets being depreciated	<u>8,042,575</u>	<u>9,539</u>	<u>(35,000)</u>	<u>-</u>	<u>8,017,114</u>
Less accumulated depreciation:					
Plant and distributing system	3,215,455	223,026	-	-	3,438,481
Machinery and equipment	163,739	5,702	(35,000)	-	134,441
Total accumulated depreciation	<u>3,379,194</u>	<u>228,728</u>	<u>(35,000)</u>	<u>-</u>	<u>3,572,922</u>
Total capital assets being depreciated, net	<u>4,663,381</u>	<u>(219,189)</u>	<u>-</u>	<u>-</u>	<u>4,444,192</u>
Governmental activities capital assets, net	<u>\$ 8,932,931</u>	<u>\$ (161,235)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,771,696</u>

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

Governmental Activities:	
General Governments	\$ 357,736
Public Safety	121,371
Highways and streets	229,190
Culture and recreation	<u>184,772</u>
Total depreciation expense - governmental activities	<u>\$ 893,069</u>
Business-type Activities:	
Water	\$ 126,735
Sewer	<u>101,993</u>
Total depreciation expense -business-type activities	<u>\$ 228,728</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	Airport Improvements	Other Governmental Funds	Sewer	
Transfers In:					
General	\$ 29,606	\$ -	\$ 71,770	\$ -	\$ 101,376
Airport Improvements	-	-	7,059	-	7,059
Sewer	10,000	-	-	93,294	103,294
Water	-	-	-	-	-
Other governmental funds	<u>84,841</u>	<u>5,982</u>	<u>134,861</u>	<u>-</u>	<u>225,684</u>
Total transfers out	124,447	5,982	213,690	93,294	437,413
Less transfers in	<u>101,376</u>	<u>7,059</u>	<u>225,684</u>	<u>103,294</u>	<u>437,413</u>
Net transfers	<u>\$ 23,071</u>	<u>\$ (1,077)</u>	<u>\$ (11,994)</u>	<u>\$ (10,000)</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, 2012 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%	\$ 46,947
NMFA-Civic Center	1,964,962	2020	4.03% to 5.45%	1,042,652
US Bancorp	68,736	2016	0%	54,995
Kansas State Bank of Manhattan	<u>92,000</u>	2013	5.750%	<u>45,928</u>
Total governmental activities	<u>\$ 2,236,810</u>			<u>\$ 1,190,522</u>
<u>Business-type Activities</u>				
Revenue Bonds:				
1999 Water and Sewer	\$ 1,100,000	2039	4.75%	\$ 950,000
Wastewater Treatment Plant	1,870,000	2050	2.75%	1,816,900
Loan:				
NMFA - Water Tower	<u>298,044</u>	2025	2.34% to 4.26%	<u>208,322</u>
Total business-type activities	<u>\$ 3,268,044</u>			<u>\$ 2,975,222</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>
2013	\$ 158,783	\$ 58,665	\$ 62,316	\$ 98,649
2014	181,946	51,907	63,208	96,779
2015	132,960	43,984	64,212	94,876
2016	139,532	37,762	65,226	92,940
2017	132,716	31,134	66,351	90,971
2018 - 2022	444,585	49,148	368,556	423,146
2023 - 2027	-	-	393,953	357,718
2028 - 2032	-	-	419,700	285,029
2033 - 2037	-	-	491,600	200,459
2038 - 2042	-	-	428,100	109,231
Thereafter	-	-	<u>552,000</u>	<u>71,566</u>
	<u>\$ 1,190,522</u>	<u>\$ 272,600</u>	<u>\$ 2,975,222</u>	<u>\$ 1,921,364</u>

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities					
Loan payable	\$1,273,708	\$ 68,736	\$ 151,922	\$1,190,522	\$ 158,783
Compensated absences	<u>55,948</u>	<u>31,286</u>	<u>33,811</u>	<u>53,423</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$1,329,656</u>	<u>\$ 100,022</u>	<u>\$ 185,733</u>	<u>\$1,243,945</u>	<u>\$ 158,783</u>
Business-type activities					
Revenue bonds	\$2,813,800	\$ -	\$ 46,900	\$2,766,900	\$ 47,700
Loan payable	222,757	-	14,435	208,322	14,616
Compensated absences	<u>7,081</u>	<u>10,341</u>	<u>7,369</u>	<u>10,053</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$3,043,638</u>	<u>\$ 10,341</u>	<u>\$ 68,704</u>	<u>\$2,985,275</u>	<u>\$ 62,316</u>

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

Post-Employment Benefits

Public Employees Retirement Association

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, 2012, 2011 and 2010 were \$126,194, \$127,083, and \$134,519, respectively, which equal the amount of the required contributions for each fiscal year.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Post-Employment Benefits (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.

State Retiree Health Care Plan

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)

Post-Employment Benefits (Continued)

State Retiree Health Care Plan (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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending 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 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, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending 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 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, 2012, 2011 and 2010 were \$20,360, \$17,750 and \$12,650, 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, 2012 was \$44,558.

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. There were no expenditures related to this agreement for fiscal year 2012.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Memorandum of Understanding

A memorandum of understanding between the City of Moriarty Police Department and the Torrance County DWI Program was entered into on January 3, 2012. The Moriarty Police Department will conduct DWI enforcement activities (sobriety checkpoints and saturation patrols) at locations within the City of Moriarty where alcohol-involved crashes are prevalent. The Torrance County DWI Program will ensure payment is made to the Moriarty Police Department for overtime expenditures associated with DWI enforcement events conducted in the City of Moriarty. Total amount expended shall not exceed \$3,000.00 prior to June 10, 2012. The memorandum of understanding will continue in effect until June 30, 2012 or terminated in writing by either party within thirty days' notice of said termination.

Related Party Transactions

The City paid \$22,405 for supplies to Hart's Homecenter, which is owned by Mayor Ted Hart and \$5,585 for supplies to Moriarty Pipe and Iron which is owned by Councilman Larry Irvin.

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>
Taxiway D Reconstruction - State	\$ 14,766	9/10 to 9/13	\$ 12,894	\$ 1,872
NMDOT				
Taxiway Improvements	7,500	5/10 to 5/12	1,385	6,115
Purchase of Airport Supplies	4,500	6/11 to 6/13	4,500	-
Design of Runway	7,105	7/11 to 7/13	1,898	5,207
Airport Fencing	90,000	12/11 to 12/13	15,820	74,180
Airport Maintenance	15,000	2/12 to 2/14	7,154	7,846
Crosswinds	155,000	6/12 to 6/14	-	155,000
	<u>\$ 293,871</u>		<u>\$ 43,651</u>	<u>\$ 250,220</u>

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

Restatements

The City has recorded a prior period restatement for funds that were reflected as transfers in and out in the fiscal year ending June 30, 2011. These transfers should have been recorded as a due to/from based on the City's intent to show a temporary loan from the General Fund to the Police Facility Fund in the amount of \$5,844. The temporary loan was fully repaid in the fiscal year ending June 30, 2012.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2012
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Airport Fund

This special revenue 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.

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.

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.

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.

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.

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.

Heritage Arena Fund

To account for revenues and expenditures of the Heritage Rodeo Arena and Event Facility per City Ordinance Number O-2011-08.

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.

**STATE OF NEW MEXICO
CITY OF MORIARTY
JUNE 30, 2012
NONMAJOR GOVERNMENTAL FUNDS**

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

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.

CDBG – Storm Drain

To account for the revenue and expenditures associated with the Storm Drain project approved by the State of New Mexico and funded by a federal grant.

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, 2012**

	<u>Special Revenue</u>			
	<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Corrections Fund</u>	<u>EMS Fund</u>
ASSETS				
Cash	\$ 54,160	\$ 10,238	\$ 4,238	\$ 15,000
Investments - restricted	-	-	-	-
Accounts receivable	<u>1,300</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total assets	<u>\$ 55,460</u>	<u>\$ 10,238</u>	<u>\$ 5,238</u>	<u>\$ 15,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 916	\$ 541	\$ -	\$ -
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>916</u>	<u>541</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Special revenue	54,544	9,697	5,238	15,000
Capital projects	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>54,544</u>	<u>9,697</u>	<u>5,238</u>	<u>15,000</u>
Total liabilities and fund balances	<u>\$ 55,460</u>	<u>\$ 10,238</u>	<u>\$ 5,238</u>	<u>\$ 15,000</u>

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

Special Revenue

Enforcement Protection Fund	Fire Protection Fund	Heritage Arena Fund	Lodgers Tax Fund	Street Fund	Special Revenue Total
\$ -	\$ -	\$ 10,693	\$ 43,553	\$ 14,056	\$ 151,938
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,918</u>	<u>70,786</u>	<u>87,004</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,693</u>	<u>\$ 57,471</u>	<u>\$ 84,842</u>	<u>\$ 238,942</u>
\$ -	\$ -	\$ 263	\$ -	\$ 17,048	\$ 18,768
-	-	-	-	56,925	56,925
<u>-</u>	<u>-</u>	<u>263</u>	<u>-</u>	<u>73,973</u>	<u>75,693</u>
-	-	10,430	57,471	10,869	163,249
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>10,430</u>	<u>57,471</u>	<u>10,869</u>	<u>163,249</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,693</u>	<u>\$ 57,471</u>	<u>\$ 84,842</u>	<u>\$ 238,942</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Capital Projects		Capital Projects Total
	Police Facility	CDBG Storm Drain	
ASSETS			
Cash	\$ -	\$ 2,356	\$ 2,356
Investments - restricted	-	-	-
Accounts receivable	-	510	510
Total assets	\$ -	\$ 2,866	\$ 2,866
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Special revenue	-	-	-
Capital projects	-	2,866	2,866
Debt service	-	-	-
Total fund balances	-	2,866	2,866
Total liabilities and fund balances	\$ -	\$ 2,866	\$ 2,866

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

Debt Service Civic Center	Total Nonmajor Governmental Funds
\$ 83,472	\$ 237,766
165,693	165,693
<u>-</u>	<u>87,514</u>
<u>\$ 249,165</u>	<u>\$ 490,973</u>

\$ -	\$ 18,768
<u>-</u>	<u>56,925</u>
<u>-</u>	<u>75,693</u>

-	163,249
-	2,866
<u>249,165</u>	<u>249,165</u>
<u>249,165</u>	<u>415,280</u>
<u>\$ 249,165</u>	<u>\$ 490,973</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue</u>			
	<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Corrections Fund</u>	<u>EMS Fund</u>
REVENUES				
Taxes				
Lodgers' tax	\$ -	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-	-
Licenses and permits	-	5,875	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	72,950
Rents and royalties	60,466	-	-	-
Fines and forfeitures	-	-	10,360	-
Other	22	6,033	-	-
Investment	-	-	-	-
Total revenues	<u>60,488</u>	<u>11,908</u>	<u>10,360</u>	<u>72,950</u>
EXPENDITURES				
Current:				
Public safety	-	-	18,386	12,950
Culture and recreation	-	-	-	-
Health and welfare	-	6,768	-	-
Highways and streets	45,573	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total expenditures	<u>45,573</u>	<u>6,768</u>	<u>18,386</u>	<u>72,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,915</u>	<u>5,140</u>	<u>(8,026)</u>	<u>-</u>
Other financing sources (uses):				
Capital lease transaction	-	-	-	-
Transfers in (out)	(1,077)	-	6,640	15,000
Total other financing sources (uses)	<u>(1,077)</u>	<u>-</u>	<u>6,640</u>	<u>15,000</u>
Net change in fund balances	13,838	5,140	(1,386)	15,000
Fund balances, beginning of year	40,706	4,557	6,624	-
Restatement	-	-	-	-
Fund balances, as restated	<u>40,706</u>	<u>4,557</u>	<u>6,624</u>	<u>-</u>
Fund balances, end of year	<u>\$ 54,544</u>	<u>\$ 9,697</u>	<u>\$ 5,238</u>	<u>\$ 15,000</u>

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

Special Revenue

Enforcement Protection Fund	Fire Protection Fund	Heritage Arena Fund	Lodgers Tax Fund	Street Fund	Special Revenue Total
\$ -	\$ -	\$ -	\$ 156,256	\$ -	\$ 156,256
-	-	-	-	232,539	232,539
-	-	-	-	-	5,875
-	-	-	-	14,783	14,783
25,400	147,970	-	-	-	246,320
-	-	13,467	11,418	-	85,351
-	-	-	-	-	10,360
-	-	-	-	727	6,782
-	-	-	-	-	-
<u>25,400</u>	<u>147,970</u>	<u>13,467</u>	<u>167,674</u>	<u>248,049</u>	<u>758,266</u>
437	134,583	-	-	-	166,356
-	-	11,762	73,377	-	85,139
-	-	-	-	-	6,768
-	-	-	-	204,164	249,737
21,109	13,741	-	-	-	34,850
3,854	-	-	-	-	3,854
-	<u>68,736</u>	-	-	<u>86,500</u>	<u>215,236</u>
<u>25,400</u>	<u>217,060</u>	<u>11,762</u>	<u>73,377</u>	<u>290,664</u>	<u>761,940</u>
-	(69,090)	<u>1,705</u>	<u>94,297</u>	(42,615)	(3,674)
-	68,736	-	-	-	68,736
-	<u>354</u>	<u>8,725</u>	(105,000)	<u>23,368</u>	(51,990)
-	<u>69,090</u>	<u>8,725</u>	(105,000)	<u>23,368</u>	<u>16,746</u>
-	-	10,430	(10,703)	(19,247)	13,072
-	-	-	68,174	30,116	150,177
-	-	-	-	-	-
-	-	-	<u>68,174</u>	<u>30,116</u>	<u>150,177</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,430</u>	<u>\$ 57,471</u>	<u>\$ 10,869</u>	<u>\$ 163,249</u>

**STATE OF NEW MEXICO
CITY OF MORIARTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Capital Projects</u>		<u>Capital Projects Total</u>
	<u>Police Facility</u>	<u>CDBG Storm Drain</u>	
REVENUES			
Taxes			
Lodgers' tax	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-
Licenses and permits	-	-	-
Intergovernmental			
Federal	-	-	-
State	-	-	-
Rents and royalties	-	-	-
Fines and forfeitures	-	-	-
Other	31	-	31
Investment	-	-	-
Total revenues	<u>31</u>	<u>-</u>	<u>31</u>
EXPENDITURES			
Current:			
Public safety	11,546	-	11,546
Culture and recreation	-	-	-
Health and welfare	-	-	-
Highways and streets	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>11,546</u>	<u>-</u>	<u>11,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,515)</u>	<u>-</u>	<u>(11,515)</u>
Other financing sources (uses):			
Capital lease transaction	-	-	-
Transfers in (out)	<u>(649)</u>	<u>(100,727)</u>	<u>(101,376)</u>
Total other financing sources (uses)	<u>(649)</u>	<u>(100,727)</u>	<u>(101,376)</u>
Net change in fund balances	(12,164)	(100,727)	(112,891)
Fund balances, beginning of year	18,008	103,593	121,601
Restatement	<u>(5,844)</u>	<u>-</u>	<u>(5,844)</u>
Fund balances, as restated	<u>12,164</u>	<u>103,593</u>	<u>115,757</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,866</u>	<u>\$ 2,866</u>

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

<u>Debt Service Civic Center</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 156,256
-	232,539
-	5,875
-	14,783
-	246,320
-	85,351
-	10,360
-	6,813
728	728
728	759,025
-	177,902
-	85,139
-	6,768
-	249,737
101,866	136,716
63,346	67,200
-	215,236
165,212	938,698
(164,484)	(179,673)
-	68,736
165,360	11,994
165,360	80,730
876	(98,943)
248,289	520,067
-	(5,844)
248,289	514,223
\$ 249,165	\$ 415,280

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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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental				
Federal	\$ 5,000	\$ 5,000	\$ -	\$(5,000)
Rents and royalties	39,500	54,500	59,166	4,666
Other	-	-	22	22
Total revenues	44,500	59,500	59,188	(312)
EXPENDITURES				
Current:				
Public works	36,551	51,551	45,816	5,735
Total expenditures	36,551	51,551	45,816	5,735
Excess (deficiency) of revenues over (under) expenditures	7,949	7,949	13,372	5,423
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(7,059)	(7,059)	(1,077)	5,982
Total other financing sources (uses)	(7,059)	(7,059)	(1,077)	5,982
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 890	\$ 890	\$ 12,295	\$ 11,405
Beginning cash balance	\$ 41,865	\$ 41,865		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 12,295	
Change in receivables			1,300	
Change in payables			243	
Net change in fund balances GAAP basis			\$ 13,838	

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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 5,875	\$ 875
Other	<u>5,000</u>	<u>5,000</u>	<u>6,033</u>	<u>1,033</u>
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>11,908</u>	<u>1,908</u>
EXPENDITURES				
Current:				
Health and welfare	<u>10,000</u>	<u>10,000</u>	<u>7,063</u>	<u>2,937</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>7,063</u>	<u>2,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,845</u>	<u>\$ 4,845</u>
 Beginning cash balance	 <u>\$ 5,393</u>	 <u>\$ 5,393</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 4,845	
Change in payables			<u>295</u>	
Net change in fund balances GAAP basis			<u>\$ 5,140</u>	

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

**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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Fines & forfeitures	\$ <u>6,000</u>	\$ <u>10,000</u>	\$ <u>9,360</u>	\$(<u>640</u>)
Total revenues	<u>6,000</u>	<u>10,000</u>	<u>9,360</u>	<u>(640)</u>
EXPENDITURES				
Current:				
Public safety	<u>12,000</u>	<u>19,000</u>	<u>18,386</u>	<u>614</u>
Total expenditures	<u>12,000</u>	<u>19,000</u>	<u>18,386</u>	<u>614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,000)</u>	<u>(9,000)</u>	<u>(9,026)</u>	<u>(26)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>6,000</u>	<u>6,000</u>	<u>6,640</u>	<u>640</u>
Total other financing sources (uses)	<u>6,000</u>	<u>6,000</u>	<u>6,640</u>	<u>640</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$(3,000)</u>	<u>\$(2,386)</u>	<u>\$ 614</u>
Beginning cash balance	<u>\$ 6,624</u>	<u>\$ 6,624</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(2,386)	
Change in receivables			<u>1,000</u>	
Net change in fund balances GAAP basis			<u>\$(1,386)</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State	\$ 12,933	\$ 72,950	\$ 72,950	\$ -
Total revenues	<u>12,933</u>	<u>72,950</u>	<u>72,950</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	12,933	27,950	12,950	15,000
Capital Outlay	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total expenditures	<u>12,933</u>	<u>87,950</u>	<u>72,950</u>	<u>15,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
Beginning cash balance	<u>\$ 2,839</u>	<u>\$ 2,839</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State	\$ 25,400	\$ 25,400	\$ 25,400	\$ -
Total revenues	<u>25,400</u>	<u>25,400</u>	<u>25,400</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	437	437	437	-
Principal	21,109	21,109	21,109	-
Interest	<u>3,854</u>	<u>3,854</u>	<u>3,854</u>	<u>-</u>
Total expenditures	<u>25,400</u>	<u>25,400</u>	<u>25,400</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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
FIRE PROTECTION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental				
State	\$ 147,970	\$ 147,970	\$ 147,970	\$ -
Total revenues	<u>147,970</u>	<u>147,970</u>	<u>147,970</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	147,970	134,583	134,583	-
Debt Service				
Principal	-	13,741	13,741	-
Capital Outlay				
	<u>-</u>	<u>68,736</u>	<u>68,736</u>	<u>-</u>
Total expenditures	<u>147,970</u>	<u>217,060</u>	<u>217,060</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(69,090)</u>	<u>(69,090)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Capital lease transaction	-	68,736	68,736	-
Transfers in (out)	<u>-</u>	<u>354</u>	<u>354</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>69,090</u>	<u>69,090</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 6,834</u>	<u>\$ 6,834</u>		

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

**STATE OF NEW MEXICO
CITY OF MORIARTY
HERITAGE ARENA FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Rents and royalties	\$ -	\$ 40,000	\$ 13,467	\$(26,533)
Total revenues	<u>-</u>	<u>40,000</u>	<u>13,467</u>	<u>(26,533)</u>
EXPENDITURES				
Current:				
Culture and recreation	-	20,000	11,499	8,501
Total expenditures	<u>-</u>	<u>20,000</u>	<u>11,499</u>	<u>8,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>20,000</u>	<u>1,968</u>	<u>(18,032)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	8,725	8,725	8,725	-
Total other financing sources (uses)	<u>8,725</u>	<u>8,725</u>	<u>8,725</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 8,725</u>	<u>\$ 28,725</u>	<u>\$ 10,693</u>	<u>\$(18,032)</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 10,693	
Change in payables			(263)	
Net change in fund balances GAAP basis			<u>\$ 10,430</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes:				
Lodgers' tax	\$ 165,000	\$ 178,230	\$ 159,146	\$(19,084)
Rents and royalties	-	-	11,418	11,418
Total revenues	<u>165,000</u>	<u>178,230</u>	<u>170,564</u>	<u>(7,666)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>66,000</u>	<u>79,230</u>	<u>73,377</u>	<u>5,853</u>
Total expenditures	<u>66,000</u>	<u>79,230</u>	<u>73,377</u>	<u>5,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,000</u>	<u>99,000</u>	<u>97,187</u>	<u>(1,813)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(105,000)</u>	-
Total other financing sources (uses)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(105,000)</u>	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$(6,000)</u>	<u>\$(6,000)</u>	<u>\$(7,813)</u>	<u>\$(1,813)</u>
Beginning cash balance	<u>\$ 51,366</u>	<u>\$ 51,366</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(7,813)	
Change in receivables			<u>(2,890)</u>	
Net change in fund balances GAAP basis			<u>\$(10,703)</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, 2012**

	<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	\$ 180,000	\$ 195,000	\$ 177,396	\$(17,604)
Intergovernmental				
Federal	-	93,750	14,783	(78,967)
Other	-	-	727	727
Total revenues	<u>180,000</u>	<u>288,750</u>	<u>192,906</u>	<u>(95,844)</u>
EXPENDITURES				
Current:				
Public works	93,500	244,500	137,565	106,935
Capital Outlay	<u>86,500</u>	<u>86,500</u>	<u>86,500</u>	<u>-</u>
Total expenditures	<u>180,000</u>	<u>331,000</u>	<u>224,065</u>	<u>106,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(42,250)</u>	<u>(31,159)</u>	<u>11,091</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>42,250</u>	<u>42,250</u>	<u>23,368</u>	<u>(18,882)</u>
Total other financing sources (uses)	<u>42,250</u>	<u>42,250</u>	<u>23,368</u>	<u>(18,882)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 42,250</u>	<u>\$ -</u>	<u>\$(7,791)</u>	<u>\$(7,791)</u>
Beginning cash balance	<u>\$ 21,847</u>	<u>\$ 21,847</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(7,791)	
Change in receivables			55,143	
Change in payables			(9,674)	
Change in deferred revenue			<u>(56,925)</u>	
Net change in fund balances GAAP basis			<u>\$(19,247)</u>	

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

**STATE OF NEW MEXICO
CITY OF MORIARTY
AIRPORT IMPROVEMENT FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDING JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental				
Federal	\$ 115,085	\$ 115,085	\$ 115,085	\$ -
State	<u>160,215</u>	<u>160,215</u>	<u>22,019</u>	<u>(138,196)</u>
Total revenues	<u>275,300</u>	<u>275,300</u>	<u>137,104</u>	<u>(138,196)</u>
EXPENDITURES				
Capital Outlay	<u>282,359</u>	<u>282,359</u>	<u>117,494</u>	<u>164,865</u>
Total expenditures	<u>282,359</u>	<u>282,359</u>	<u>117,494</u>	<u>164,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,059)</u>	<u>(7,059)</u>	<u>19,610</u>	<u>26,669</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>7,059</u>	<u>7,059</u>	<u>1,077</u>	<u>(5,982)</u>
Total other financing sources (uses)	<u>7,059</u>	<u>7,059</u>	<u>1,077</u>	<u>(5,982)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,687</u>	<u>\$ 20,687</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 20,687	
Change in receivables			153,959	
Change in payables			<u>(170,352)</u>	
Net change in fund balances GAAP basis			<u>\$ 4,294</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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental				
State	\$ 11,008	\$ 11,008	\$ 11,008	\$ -
Other	-	-	31	31
Total revenues	<u>11,008</u>	<u>11,008</u>	<u>11,039</u>	<u>31</u>
EXPENDITURES				
Current:				
Public safety	<u>7,501</u>	<u>17,390</u>	<u>14,239</u>	<u>3,151</u>
Total expenditures	<u>7,501</u>	<u>17,390</u>	<u>14,239</u>	<u>3,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,507</u>	<u>(6,382)</u>	<u>(3,200)</u>	<u>3,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(649)</u>	<u>(649)</u>	<u>(649)</u>	<u>-</u>
Total other financing sources (uses)	<u>(649)</u>	<u>(649)</u>	<u>(649)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 2,858</u>	<u>\$(7,031)</u>	<u>\$(3,849)</u>	<u>\$ 3,182</u>
Beginning cash balance	<u>\$ 9,693</u>	<u>\$ 9,693</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(3,849)	
Change in receivables			(11,008)	
Change in payables			<u>2,693</u>	
Net change in fund balances GAAP basis			<u>\$(12,164)</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, 2012**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental	\$ <u>290,592</u>	\$ <u>290,592</u>	\$ <u>242,011</u>	\$(<u>48,581</u>)
Total revenues	<u>290,592</u>	<u>290,592</u>	<u>242,011</u>	<u>(48,581)</u>
EXPENDITURES				
Capital Outlay	<u>233,581</u>	<u>233,581</u>	<u>138,673</u>	<u>94,908</u>
Total expenditures	<u>233,581</u>	<u>233,581</u>	<u>138,673</u>	<u>94,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,011</u>	<u>57,011</u>	<u>103,338</u>	<u>46,327</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>54,758</u>	<u>(54,758)</u>	<u>(100,982)</u>	<u>(46,224)</u>
Total other financing sources (uses)	<u>54,758</u>	<u>(54,758)</u>	<u>(100,982)</u>	<u>(46,224)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 111,769</u>	<u>\$ 2,253</u>	<u>\$ 2,356</u>	<u>\$ 103</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 2,356	
Change in receivables			(241,756)	
Change in payables			<u>138,673</u>	
Net change in fund balances GAAP basis			<u>\$(100,727)</u>	

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

**STATE OF NEW MEXICO
CITY OF MORIARTY
DEBT SERVICE CIVIC CENTER
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (Non-GAAP Basis) and ACTUAL (Budgetary Basis)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Investment	\$ -	\$ -	\$ 728	\$ 728
Total revenues	<u>-</u>	<u>-</u>	<u>728</u>	<u>728</u>
EXPENDITURES				
Debt Service				
Principal	101,866	101,866	101,866	-
Interest	<u>63,350</u>	<u>63,350</u>	<u>63,346</u>	<u>4</u>
Total expenditures	<u>165,216</u>	<u>165,216</u>	<u>165,212</u>	<u>4</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,216)</u>	<u>(165,216)</u>	<u>(164,484)</u>	<u>732</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>165,360</u>	<u>165,360</u>	<u>165,360</u>	<u>-</u>
Total other financing sources (uses)	<u>165,360</u>	<u>165,360</u>	<u>165,360</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 144</u>	<u>\$ 144</u>	<u>\$ 876</u>	<u>\$ 732</u>
Beginning cash balance	<u>\$ 83,303</u>	<u>\$ 83,303</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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Operating revenues:				
Charges for services	\$ 375,212	\$ 375,212	\$ 337,704	\$(37,508)
Total operating revenues	<u>375,212</u>	<u>375,212</u>	<u>337,704</u>	<u>(37,508)</u>
Operating expenses:				
Personnel services	166,399	164,395	130,068	34,327
Contract services	5,487	5,487	5,487	-
Other operating expense	131,026	131,026	131,026	-
Total operating expenses	<u>302,912</u>	<u>300,908</u>	<u>266,581</u>	<u>34,327</u>
Net operating income excluding non-budgeted expenses	<u>72,300</u>	<u>74,304</u>	<u>71,123</u>	<u>(3,181)</u>
Non-operating revenues (expenses):				
Interest	-	-	(48,902)	(48,902)
Total non-operating revenues (deductions)	<u>-</u>	<u>-</u>	<u>(48,902)</u>	<u>(48,902)</u>
Net income loss excluding non-budgeted expenses	<u>72,300</u>	<u>74,304</u>	<u>22,221</u>	<u>(52,083)</u>
Less non-budgeted revenues (expenses):				
Interest earned	-	-	95	95
Depreciation	-	-	(126,735)	(126,735)
Total non-budgeted revenues (expenses)	<u>-</u>	<u>-</u>	<u>(126,640)</u>	<u>(126,640)</u>
Net income (loss)	<u>\$ 72,300</u>	<u>\$ 74,304</u>	<u>\$(104,419)</u>	<u>\$(178,723)</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, 2012**

	<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	\$ 288,170	\$ 288,170	\$ 276,592	\$(11,578)
Total operating revenues	<u>288,170</u>	<u>288,170</u>	<u>276,592</u>	<u>(11,578)</u>
Operating expenses:				
Personnel services	934,121	934,121	59,270	874,851
Other operating expense	<u>164,999</u>	<u>164,999</u>	<u>164,999</u>	<u>-</u>
Total operating expenses	<u>164,999</u>	<u>164,999</u>	<u>224,269</u>	<u>874,851</u>
Net operating income excluding non-budgeted expenses	<u>123,171</u>	<u>123,171</u>	<u>52,323</u>	<u>863,273</u>
Non-operating revenues (expenses):				
Interest	-	-	(50,520)	(50,520)
Investment	-	-	12	12
Federal grant	<u>-</u>	<u>-</u>	<u>62,182</u>	<u>62,182</u>
Total non-operating revenues (deductions)	<u>-</u>	<u>-</u>	<u>11,674</u>	<u>11,674</u>
Net income loss excluding non-budgeted expenses	<u>123,171</u>	<u>123,171</u>	<u>63,997</u>	<u>874,947</u>
Other financing sources (uses):				
Transfers in (out)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Less non-budgeted expenses:				
Depreciation	<u>-</u>	<u>-</u>	<u>101,993</u>	<u>(101,993)</u>
Total non-budgeted revenues (expenses)	<u>-</u>	<u>-</u>	<u>101,993</u>	<u>(101,993)</u>
Capital contributions	<u>904,244</u>	<u>904,244</u>	<u>-</u>	<u>(904,244)</u>
Net income (loss)	<u>\$ 1,037,415</u>	<u>\$ 1,037,415</u>	<u>\$(27,996)</u>	<u>\$ 72,696</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, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Operating revenues:				
Charges for services	\$ 351,500	\$ 351,500	\$ 310,339	\$(41,161)
Total operating revenues	<u>351,500</u>	<u>351,500</u>	<u>310,339</u>	<u>(41,161)</u>
Operating expenses:				
Contract services	350,679	350,679	313,114	37,565
Other operating expense	<u>821</u>	<u>821</u>	<u>821</u>	<u>-</u>
Total operating expenses	<u>351,500</u>	<u>351,500</u>	<u>313,935</u>	<u>37,565</u>
Net operating income (loss)	<u>-</u>	<u>-</u>	<u>(3,596)</u>	<u>(3,596)</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$(3,596)</u>	<u>\$(3,596)</u>

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

OTHER SUPPLEMENTARY INFORMATION



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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund, and 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, 2012, and have issued our report thereon dated October 29, 2012. 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

Management of the City of Moriarty is responsible for establishing and maintaining effective 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.

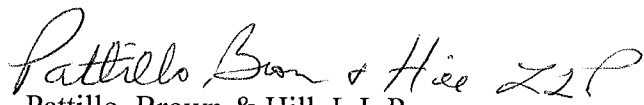
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 responses as items 2012-A and 2012-B.

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

This report is intended solely for the information and use of management, the City Council, others within the entity, 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
October 29, 2012

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**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

Financial Statement Findings

Prior Year

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

Current Year

2012-A	Budget Adjustment Request
2012-B	Reporting Unclaimed Property

**STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

2012-A **Budget Adjustment Request**
(significant deficiency)

Condition: The City made four budget adjustment requests (BARs) during the fiscal year ending June 30, 2012. One BAR was dated February 8, 2012, the BAR was to increase transfers out of the General Fund. One BAR was dated April 4, 2012 and was to establish the Heritage Arena Fund, a new special revenue fund by moving money out of the General Fund. The last BAR was dated July 25, 2012 and was to increase operating expenditures in the Corrections Fund, the Sewer Fund and the Airport Fund. None of the BARs were approved by the New Mexico Department of Finance and Administration (DFA) prior to the expenditures.

Criteria: Section 6-6-2(G) NMSA 1978 states “in case of a need necessitating the expenditure for an item not provided for in the budget, upon approval of the Secretary of Finance and Administration, the budget may be revised to authorize the expenditure.”

Effect: The City expended money prior to receiving approval from DFA.

Cause: The City inadvertently expended funds prior to receiving DFA approval.

Recommendation: When increasing budget expenditures, the City should request a BAR and receive approval from DFA prior to expending funds.

Response: Management agrees with the recommendation.

STATE OF NEW MEXICO
CITY OF MORIARTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

2012-B **Reporting Unclaimed Property**
 (significant deficiency)

Condition: The City did not report unclaimed property to the State of New Mexico, as required by the Uniform Unclaimed Property Act (1995) as found in Section 7-8A NMSA 1978.

Criteria: The Uniform Unclaimed Property Act (1995) states that property held by a court, government, governmental subdivision, or agency is assumed abandoned if it is unclaimed by the apparent owner one year after the property becomes distributable. Such funds must be escheated to the State of New Mexico.

Effect: The City is not in compliance with the Uniform Unclaimed Property Act (1995).

Cause: Procedures were not in place to ensure compliance that unclaimed property has been reported to the State of New Mexico on a yearly basis.

Recommendation: Policies and procedures should be implemented to ensure compliance. The City should evaluate all unclaimed property and exercise due diligence in reporting unclaimed property to the State of New Mexico.

Response: Management agrees with the recommendation.

**STATE OF NEW MEXICO
CITY OF MORIARTY
EXIT CONFERENCE
JUNE 30, 2012**

EXIT CONFERENCE

An exit conference was held on October 29, 2012 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 was in attendance for Pattillo, Brown & Hill, L.L.P.

PREPARATION OF FINANCIAL STATEMENTS

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