

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2017**

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## **INTRODUCTORY SECTION**

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STATE OF NEW MEXICO  
City of Moriarty

OFFICIAL ROSTER  
June 30, 2017

<u>Name</u>	<u>City Council</u>	<u>Title</u>
Ted Hart		Mayor
Robert Ortiz		Mayor Pro Tem
Steve Anaya		Council Member
Dennis Shandfelt		Council Member
Kim Garcia		Council Member
	<u>City Officials</u>	
Sheila Larranaga-Murphy		City Clerk
Linda Fischer		City Treasurer
Bobby Garcia		Police Chief

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
City of Moriarty  
Moriarty, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund of City of Moriarty (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise City of Moriarty' basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the City. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to City of Moriarty's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Moriarty's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our opinion, based on our report and the report of the other auditors, 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 City of Moriarty, as of June 30, 2017, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds, and major capital project funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-20, the *Schedule of the Proportionate Share of the Net Pension Liability* on pages 91-95, the *Schedule of Contributions* on pages 97-101, and the notes to the required supplementary information page 103 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on City of Moriarty's financial statements, that collectively comprise the City of Moriarty's basic financial statements.

The combining and individual fund financial statements, and other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, and Schedules, presented in the supplementary information section of the Table of Contents, required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017 on our consideration of the City of Moriarty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Moriarty's internal control over financial reporting and compliance.

*Precision Accounting, LLC*

Precision Accounting, LLC  
Albuquerque, New Mexico  
August 10, 2017

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STATE OF NEW MEXICO  
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Management's Discussion and Analysis  
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As management of the City of Moriarty, we offer readers of the City of Moriarty financial statements this narrative overview and analysis of the financial activities of the City of Moriarty for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Moriarty and additional information provided.

#### FINANCIAL HIGHLIGHTS

- The assets of the City of Moriarty exceeded its liabilities at the close of the most recent fiscal year by \$24,355,267 (*net position*). Of this amount, \$(844,570) (*unrestricted*) is obligated to citizens and creditors.
- The government's total net position increased by \$54590 during the fiscal year. The majority of this increase is due to an increase in revenue from State funding for capital projects contributed to the proprietary funds in the form of completed projects.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$1,666,911. Of this total, \$23,865 is restricted for capital projects, \$459,417 is restricted for special revenue funds and \$256,926 is restricted for Debt Service Funds.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Moriarty's basic financial statements. The City of Moriarty's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Moriarty's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Moriarty's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Moriarty is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Moriarty that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Moriarty include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City include Sewer/AWWT, Solid Waste, Water, Heritage Arena, Airport, and Cemetery.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Moriarty, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Moriarty can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental Funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable*

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*resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Moriarty maintains fourteen individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Airport Improvement Capital Project Fund, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Moriarty adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund and Airport Improvement Capital Project Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 of this report.

*Proprietary funds.* Proprietary funds are generally used to account for services for which the City charges customers either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains six types of proprietary funds.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Moriarty's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-62 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 70-99 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

### Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Moriarty, assets exceeded liabilities by \$24355,267 at the close of the current fiscal year.

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The largest portion of the City of Moriarty's net position represents the City's investment of \$45,303,678 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The City of Moriarty uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Moriarty's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position  
For the Year Ended June 30, 2017 and June 30, 2016

	June 30, 2017			June 30, 2016		
	Governmental	Business Type	Total	Governmental	Business Type	Total
<b>Assets</b>						
Current and other assets	\$2,689,350	\$998,314	\$3,687,664	\$ 2,270,839	\$ 969,049	\$ 3,239,888
Capital assets, net of accumulated depreciation	10,792,525	16,783,101	27,575,626	10,426,506	17,076,960	27,503,466
Deferred Outflows of Resources	1,078,617	-	1,078,617	257,916	-	257,916
<b>Total Assets</b>	<b>14,560,492</b>	<b>17,781,415</b>	<b>32,341,907</b>	<b>12,955,261</b>	<b>18,046,009</b>	<b>31,001,270</b>
<b>Liabilities</b>						
Long-term liabilities outstanding	3,858,476	2,586,521	6,444,997	2,480,539	2,661,241	5,141,780
Other Liabilities	1,227,441	260,811	1,488,252	942,095	512,236	1,454,331
<b>Total Liabilities</b>	<b>5,085,917</b>	<b>2,847,332</b>	<b>7,933,249</b>	<b>3,422,634</b>	<b>3,173,477</b>	<b>5,781,093</b>
Deferred Inflows of Resources	53,391	-	53,391	104,482	-	104,482
<b>Net Position</b>						
Net investment in capital assets	9,566,756	14,129,192	23,717,031	9,649,420	14,355,200	24,004,620
Restricted	1,503,889	-	1,503,889	980,444	-	980,444
Unrestricted	(1,649,461)	804,891	(844,570)	(1,201,719)	517,332	(684,387)
<b>Total Net Position</b>	<b>9,421,184</b>	<b>14,934,083</b>	<b>24,355,267</b>	<b>9,428,145</b>	<b>14,872,532</b>	<b>24,300,677</b>
<b>Total Liabilities, deferred inflows of resources and Net Position</b>	<b>14,560,492</b>	<b>17,781,415</b>	<b>32,341,907</b>	<b>\$ 12,955,261</b>	<b>\$ 18,046,009</b>	<b>\$ 31,001,270</b>

A portion of the City of Moriarty's net position represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service.

At the end of the current fiscal year, the City of Moriarty is able to report positive balances in all of the categories of net position, for the government as a whole as well as for the business-type activities.

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The City of Moriarty's net position decreased by \$128,847.00 during the current fiscal year. This decrease is explained in the government and business-type activities discussion below and is primarily a result of an increase in taxes and in state grants and the related expenditures and capital assets.

Changes in Net Position  
For the Year Ended June 30, 2017

	Governmental Activities	Business Type Activities	Total
<u>Revenue</u>			
Program revenue			
Charges for Service	107,172	1,280,065	1,387,237
Operating grants and contributions	419,172	6,834	426,006
Capital Grants	1,041,412	-	1,041,412
General Revenue			
Property Tax	83,942	-	83,942
Franchise Tax	12,364	-	12,364
Gross Receipts Tax	2,189,507	-	2,189,507
Public Service Tax	490,598	-	490,598
Miscellaneous	113,256	2,860	116,116
Total Revenue	4,457,423	1,289,759	5,747,182
<u>Expenses</u>			
General Government	1,739,624	-	1,739,624
Public Safety	1,201,619	-	1,201,619
Public Works	246,082	-	246,082
Culture and Recreation	445,529	-	445,529
Health and Welfare	229,723	-	229,723
Interest on Long-term debt	51,529	-	51,529
Business-type activities	-	1,778,592	1,778,592
Total Expenses	3,914,106	1,778,592	5,692,592
(Decrease) Increase in Assets before transfer			
Transfers	(550,278)	550,278	-
(Decrease) Increase in Net Position	(6,961)	61,551	54,590
Net Position, Beginning of year	9,428,145	14,872,532	24,300,677
Restatement for Net Pension Liability	-	-	-
Net Position, Beginning – restated	9,428,145	14,872,532	24,300,677
Ending Net Position	9,421,184	14,934,083	24,355,267

Governmental activities: Governmental activities decreased the City of Moriarty's net position by \$(6,961). The key element of this decrease was revenue exceeded expenses due to an increase in taxes and in state grants and a reduction in capital outlay and the effect of the net pension liability requirements.

Business-type activities: Business-type activities increased the City's net position by \$61,551. The key element of this increase was the due to the transfers.

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Changes in Net Position  
For the Year Ended June 30, 2016

	Governmental Activities	Business Type Activities	Total
<u>Revenue</u>			
Program revenue			
Charges for Service	154,273	1,243,988	
Operating grants and contributions	391,382	5,100	
Capital Grants	618,107	-	
General Revenue			
Property Tax	65,019	-	65,019
Franchise Tax	13,404	-	13,404
Gross Receipts Tax	2,230,754	-	2,230,754
Public Service Tax	449,707	-	449,707
Miscellaneous	44,791	491	60,422
Total Revenue	3,811,643	1,249,579	5,061,222
<u>Expenses</u>			
General Government	1,187,390	-	1,187,390
Public Safety	938,795	-	938,795
Public Works	56,104	-	56,104
Culture and Recreation	459,329	-	459,329
Health and Welfare	204,453	-	204,453
Interest on Long-term debt	197,658	-	197,658
Business-type activities	-	1,767,007	1,767,007
Total Expenses	3,043,729	1,767,007	4,810,736
(Decrease) Increase in Assets before transfer			
Transfers	(923,104)	923,104	-
(Decrease) Increase in Net Position	1,666	405,676	407,342
Net Position, Beginning of year	9,426,479	14,466,856	23,893,335
Restatement for Net Pension Liability	-	-	-
Net Position, Beginning – restated	9,640,622	14,466,856	23,893,335
Ending Net Position	9,360,960	14,872,532	24,300,677

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Moriarty uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of Moriarty's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Moriarty's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a

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government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the City of Moriarty's governmental funds reported combined ending fund balances of \$1,666,911 an increase of \$194,168 in comparison with the prior year. \$926,883 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

Revenues for governmental activities overall totaled \$4,457,423 in the fiscal year ended June 30, 2017, which represents an increase of \$673,075 from the fiscal year ended June 30, 2016. Expenditures for governmental activities, totaling \$3,730,773 increased by \$370,357 from the fiscal year ended June 30, 2016. In the fiscal year ended June 30, 2017, revenues exceeded expenditures by \$194,168.

The General Fund is the chief operating fund of the City of Moriarty. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$934,074, which is the total fund balance.

The fund balance of the City of Moriarty's general fund increased by \$147,093 during the current fiscal year due to revenues in excess of expenditures. Overall, the general fund's performance in the fiscal year ended June 30, 2017 is due to the increase in tax revenues of \$427,307.00.

*Proprietary Funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position for Sewer/AWWT, Solid Waste, Water, Airport, Ambulance and Cemetery funds were \$205,002, \$95,927, \$276,927, \$122,536, \$71,763 and \$32,736, respectively. The total change in net position for the proprietary funds was \$408,366. Factors concerning the finances of this fund have been addressed previously in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City budgets reflect the same pattern as seen in the revenue and expenditures of the City. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the City level, the City of Moriarty utilizes goals and objectives defined by the City Councilors, community input meetings, long-term plans and input from various staff groups to develop the City budget. The City priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Expenditure Budget Performance

Final Budget	Actual non-GAAP Cash Basis	Favorable (Unfavorable) Variance
\$2,526,748	\$2,140,707	\$386,041

The City's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year.

The Capital Project Funds (non-major) are not included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BARs).

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Capital Asset and Debt Administration

Capital assets. The City of Moriarty's capital assets for its governmental and business-type activities as of June 30, 2017 amount to \$27,578,316 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery & equipment. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$544,908 for governmental activities due primarily to land improvements. There was an increase (excluding accumulated depreciation) in business-type capital assets in the amount of \$447,543 during the current fiscal year due to additions to plant and distributing/infrastructure.

Capital Assets, Net of Depreciation  
June 30, 2017

	Governmental Activities	Business Type Activities	Total
Land	\$ 324,307	\$ -	\$ 324,307
Construction in Progress	-	-	-
Land, Buildings & Improvements	9,859,022	11,388,683	21,247,705
Equipment and Machinery	2,209,134	396,114	2,605,248
Water Rights	-	147,201	147,201
Plant & distributing system	-	14,299,436	14,299,436
Infrastructure	6,657,198	-	6,657,198
Total capital assets	19,049,661	26,231,434	45,281,095
Accumulated depreciation	(8,257,135)	(9,445,643)	(17,702,776)
Capital assets, net of accumulated depreciation	<u>\$ 10,792,525</u>	<u>\$ 16,785,791</u>	<u>\$ 27,578,316</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 7 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration. At the end of the current fiscal year, the City of Moriarty had total long-term obligations outstanding of \$ 3,820,393

**Outstanding Debt**  
As of June 30, 2017

	Governmental Activities	Business Type Activities	Total
Revenue Bonds	\$ -	\$ 2,520,700	\$ 2,520,700
NMFA notes	1,027,923	133,209	1,161,132
Other loans	76,575	-	76,575
Accrued compensated absences	61,986	-	61,986
Total long-term liabilities	<u>\$ 1,166,484</u>	<u>\$2,653,909</u>	<u>\$ 3,820,393</u>

STATE OF NEW MEXICO  
City of Moriarty  
Management's Discussion and Analysis  
for the Year Ended June 30, 2017  
Unaudited

Long-term debt additions and retirements related to revenue bonds and loans for governmental activities for the current year were \$503,779 and \$413,492 respectively. Accrued compensated absences additions and retirements were \$69,155 and \$7,169, respectively, for governmental activities. Long-term debt retirements related to revenue bonds and loans for the business-type activities for the current year were \$64,851. Business type activities accrued compensated absences additions and retirements were \$- and \$6,887, respectively.

See Note 8 in the accompanying Notes to the Financial Statements for further information regarding the City of Moriarty's long-term debt.

#### Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare favorably to national indices. The City of Moriarty has plans for economic development that will require substantial infrastructure improvements that should result in future revenue growth.

The above factors were considered in preparing the City of Moriarty's budget for the 2017 fiscal year. There are no currently known facts, decisions, or conditions that are expected to have a significant effect or impact on the City's financial position or results of operations.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Moriarty's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Moriarty Administration, City of Moriarty, P.O. Box 130, Moriarty, New Mexico, 87035.



**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**STATEMENT OF NET POSITION**  
June 30, 2017

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 2,009,573	\$ 413,970	\$ 2,423,543
Due from other funds-Share of Pooled Cash	452,519	472,836	925,355
Taxes receivable	4,971	-	4,971
Accounts receivable	222,287	111,508	333,795
Total Current Assets	<u>2,689,350</u>	<u>998,314</u>	<u>3,687,664</u>
Noncurrent Assets			
Capital assets	19,049,661	26,231,434	45,281,095
Less: accumulated depreciation	<u>(8,257,136)</u>	<u>(9,448,333)</u>	<u>(17,705,469)</u>
Total Noncurrent Assets	<u>10,792,525</u>	<u>16,783,101</u>	<u>27,575,626</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows	<u>1,078,617</u>	<u>-</u>	<u>1,078,617</u>
Total Deferred Outflows of Resources	1,078,617	-	1,078,617
Total Assets	<u><u>\$ 14,560,492</u></u>	<u><u>\$ 17,781,415</u></u>	<u><u>\$ 32,341,907</u></u>

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**STATEMENT OF NET POSITION**  
June 30, 2017

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	\$ 76,000	32,239	\$ 108,239
Accrued salaries and wages	14,806	4,842	19,648
Accrued interest	16,911	48,812	65,723
Deposits payable	-	107,530	107,530
Due to Other Funds	925,355	-	925,355
Accrued compensated absences	6,278	-	6,278
Current portion of bonds and loans payable	188,091	67,388	255,479
<b>Total Current Liabilities</b>	<b>1,227,441</b>	<b>260,811</b>	<b>1,488,252</b>
Noncurrent Liabilities			
Bonds payable	-	2,469,000	2,469,000
Accrued Compensated Absences	63,468	-	63,468
Net Pension Liability	2,878,601	-	2,878,601
Loans and notes payable	916,407	117,521	1,033,928
<b>Total Noncurrent Liabilities</b>	<b>3,858,476</b>	<b>2,586,521</b>	<b>6,444,997</b>
<b>Total Liabilities</b>	<b>5,085,917</b>	<b>2,847,332</b>	<b>7,933,249</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows	53,391	-	53,391
Unavailable revenue-property taxes	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>53,391</b>	<b>-</b>	<b>53,391</b>
<b>Net Position</b>			
Net Investment in Capital Assets	9,566,756	14,129,192	23,695,948
Restricted for:			
Debt Service	387,312	-	387,312
Capital Project Funds	579,960	-	579,960
Special Revenue Funds	536,617	-	536,617
Unrestricted	(1,649,461)	804,891	(844,570)
<b>Total Net Position</b>	<b>9,421,184</b>	<b>14,934,083</b>	<b>24,355,267</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 14,560,492</b>	<b>\$ 17,781,415</b>	<b>\$ 32,341,907</b>

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ending June 30, 2017

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary Government</b>			
General government	\$ 1,739,624	\$ 88,508	\$ 117,061
Public safety	1,201,619	14,823	289,456
Public works	246,082	-	4,922
Culture and recreation	445,529	3,841	7,733
Health and welfare	229,723	-	-
Interest on long-term debt	51,529	-	-
	<u>3,914,106</u>	<u>107,172</u>	<u>419,172</u>
<i>Total governmental activities</i>			
<b>Business-type Activities:</b>			
Sewer/AWWT	505,936	367,815	-
Solid Waste	292,719	328,366	-
Water	490,439	431,256	-
Airport	467,785	84,841	6,834
Ambulance	14,622	55,387	-
Cemetary	6,985	12,400	-
Heritage Arena	-	-	-
	<u>1,778,486</u>	<u>1,280,065</u>	<u>6,834</u>
<i>Total business type activities</i>			
<b>Total</b>	<u>\$ 5,692,592</u>	<u>\$ 1,387,237</u>	<u>\$ 426,006</u>
<b>General Revenues:</b>			
Taxes			
Property taxes, levied for general purposes			
Franchise taxes			
Gross receipts taxes			
Public service taxes			
Interest income			
Transfers			
Miscellaneous income			
Total General Revenues and Transfers			
Excess (deficiency) of revenues over expenses			
Change in net position			
Beginning Net Position			
Net position, ending			

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ending June 30, 2017

Exhibit A-2

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<u>Capital Grants and Contributions</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ -	\$ (1,534,055)	\$ -	\$ (1,534,055)
(673)	(898,013)	-	(898,013)
624,288	383,128	-	383,128
417,797	(16,158)	-	(16,158)
-	(229,723)	-	(229,723)
-	(51,529)	-	(51,529)
<u>1,041,412</u>	<u>(2,346,350)</u>	<u>-</u>	<u>(2,346,350)</u>
-	-	(138,121)	(138,121)
-	-	35,647	35,647
-	-	(59,183)	(59,183)
-	-	(376,110)	(376,110)
-	-	40,765	40,765
-	-	5,415	5,415
-	-	-	-
<u>-</u>	<u>-</u>	<u>(491,587)</u>	<u>(491,587)</u>
<u>\$ 1,041,412</u>	<u>\$ (2,346,350)</u>	<u>\$ (491,587)</u>	<u>\$ (2,837,937)</u>
	83,942	-	83,942
	12,364	-	12,364
	2,189,507	-	2,189,507
	490,598	-	490,598
	2,701	531	3,232
	(550,278)	550,278	-
	110,555	2,329	112,884
	<u>2,339,389</u>	<u>553,138</u>	<u>2,892,527</u>
	(6,961)	61,551	54,590
	(6,961)	61,551	54,590
	<u>9,428,145</u>	<u>14,872,532</u>	<u>24,300,677</u>
	<u>\$ 9,421,184</u>	<u>\$ 14,934,083</u>	<u>\$ 24,355,267</u>

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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2017

	General Fund	Corrections Fund	Water Improvements Capital Project	CDBG Capital Project	Other Governmental Funds	Total
<i>Assets</i>						
Cash and cash equivalents	\$ 169,376	\$ 2,196	\$ 5,775	\$ -	\$ 538,187	\$ 715,534
Investments	654,310	-	-	-	166,893	821,203
Accounts and taxes receivable	4,971	-	-	-	-	4,971
Other receivables	-	1,356	-	-	-	1,356
Due From Other Funds	-	-	-	-	-	-
Due from other governments	172,214	-	-	-	48,717	220,931
<i>Total assets</i>	<u>\$ 1,000,871</u>	<u>\$ 3,552</u>	<u>\$ 5,775</u>	<u>\$ -</u>	<u>\$ 753,797</u>	<u>\$ 1,763,995</u>
<i>Liabilities, deferred inflows of resources and fund balances</i>						
<i>Liabilities</i>						
Accounts payable	50,154	\$ -	\$ -	\$ -	\$ 25,846	\$ 76,000
Accrued salaries and benefits	11,444	-	-	-	3,362	14,806
Due To Other Funds	-	-	-	-	-	-
Accrued compensated absences	5,199	-	-	-	1,079	6,278
<i>Total liabilities</i>	<u>66,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 30,287</u>	<u>97,084</u>
<i>Deferred inflows of resources</i>						
Unavailable revenue-property taxes	-	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>						
Fund Balance						
Restricted for:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	3,552	-	-	455,865	459,417
Capital Projects Funds	-	-	5,775	-	17,910	23,685
Debt Service Funds	-	-	-	-	256,926	256,926
Committed for:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-
Assigned for:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-
Unassigned for:						
General Fund	934,074	-	-	-	(7,191)	926,883
<i>Total fund balances</i>	<u>934,074</u>	<u>3,552</u>	<u>5,775</u>	<u>-</u>	<u>723,510</u>	<u>1,666,911</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 1,000,871</u>	<u>\$ 3,552</u>	<u>\$ 5,775</u>	<u>\$ -</u>	<u>\$ 753,797</u>	<u>\$ 1,763,995</u>

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2017

Amounts reported for governmental activities in the statements of net position are different because:

Fund balances - total governmental funds	\$ 1,666,911
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,792,525
Accrued interest on long-term debt is not recognized in the governmental funds until paid:	
Accrued interest	(16,911)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(3,021,341)</u>
Net position of governmental activities	<u>\$ 9,421,184</u>

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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, 2017

	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Water Improvement Capital Project</u>	<u>CDBG Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues:</i>						
Taxes	\$ 2,306,909	\$ -	\$ -	\$ -	\$ 469,502	\$ 2,776,411
State Grants	129,155	-	513,141	417,797	418,287	1,478,380
Federal Grants	-	-	-	-	-	-
Charges for Services	64,418	-	-	-	56,557	120,975
Licenses and Fees	23,616	8,182	-	-	-	31,798
Investment Income (Loss)	680	-	-	-	2,701	3,381
Miscellaneous	10,276	-	-	-	53,998	64,274
	<u>2,535,054</u>	<u>8,182</u>	<u>513,141</u>	<u>417,797</u>	<u>1,001,045</u>	<u>4,475,219</u>
<i>Expenditures:</i>						
<i>Current:</i>						
General Government	802,266	-	-	-	-	802,266
Public Safety	1,162,107	17,150	-	-	278,512	1,457,769
Public Works	-	-	6,982	-	264,502	271,484
Culture and Recreation	300,424	-	-	412,695	307,119	1,020,238
Health and Welfare	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
<i>Debt Service:</i>						
Principal	-	-	-	-	130,803	130,803
Interest	-	-	-	-	48,213	48,213
Total Expenditures	<u>2,264,797</u>	<u>17,150</u>	<u>6,982</u>	<u>412,695</u>	<u>1,029,149</u>	<u>3,730,773</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>270,257</u>	<u>(8,968)</u>	<u>506,159</u>	<u>5,102</u>	<u>(28,104)</u>	<u>744,446</u>
<i>Other financing sources (uses)</i>						
Transfers In	429,376	12,500	-	410,198	227,525	1,079,599
Transfers (Out)	(552,540)	-	(500,264)	(411,316)	(165,757)	(1,629,877)
<i>Total other financing sources (uses)</i>	<u>(123,164)</u>	<u>12,500</u>	<u>(500,264)</u>	<u>(1,118)</u>	<u>61,768</u>	<u>(550,278)</u>
<i>Net change in fund balance</i>	147,093	3,532	5,895	3,984	33,664	194,168
<i>Fund balance - beginning of year</i>	786,981	20	(120)	(3,984)	689,846	1,472,743
<i>Fund balance - end of year</i>	<u>\$ 934,074</u>	<u>\$ 3,552</u>	<u>\$ 5,775</u>	<u>\$ -</u>	<u>\$ 723,510</u>	<u>\$ 1,666,911</u>

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ending June 30, 2017

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

Net change in fund balances - total governmental funds	\$	194,168
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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:

Capital expenditures		1,473,583
Depreciation expense		(503,197)

The issuance of long-term debt (e.g. bonds, notes, 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 position but are as follows:

Decrease in accrued compensated absences		4,615
Increase in accrued interest		(2,330)
Change in proportion of Net Pension Liability		(846,388)
Loan Proceeds		(503,779)
Principal payments on notes payable		<u>176,367</u>

Change in net position of governmental activities	\$	<u><u>(6,961)</u></u>
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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ 2,195,336	\$ 2,195,336	\$ 2,133,897	\$ 61,439
State Grants	138,378	213,378	126,203	87,175
Charges For Services	64,000	64,000	64,418	(418)
Licenses and Fees	25,650	25,650	23,616	2,034
Interest Income	-	-	-	-
Investment Income(Loss)	620	620	680	(60)
Miscellaneous	12,000	12,000	9,055	2,945
<i>Total revenues</i>	2,435,984	2,510,984	2,357,869	153,115
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	1,012,551	1,012,551	723,525	289,026
Public Safety	1,163,740	1,163,740	1,133,558	30,182
Public Works	-	-	-	-
Culture and Recreation	350,457	350,457	283,624	66,833
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	2,526,748	2,526,748	2,140,707	386,041
<i>Excess (deficiency) of revenues over expenditures</i>	(90,764)	(15,764)	217,162	539,156
<i>Other financing sources (uses)</i>				
Designated Cash	90,764	15,764	-	(15,764)
Transfers In	462,502	462,502	429,376	(33,126)
Transfers Out	578,362	(588,285)	(552,540)	35,745
<i>Total other financing sources (uses)</i>	1,131,628	(110,019)	(123,164)	(13,145)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	1,040,864	(125,783)	93,998	526,011
<i>Cash Balance - Beginning of Year</i>	235,321	235,321	901,902	666,581
<i>Cash Balance - End of Year</i>	\$ 1,276,185	\$ 109,538	\$ 995,900	\$ 1,192,592
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) (non-GAAP basis)			\$ 93,998	
Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals			(39,816)	
Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals			92,911	
<i>Net Change in Fund Balance (GAAP basis)</i>			\$ 147,093	

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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**CORRECTION SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Charges For Services	-	-	-	-
Licenses and Fees	9,500	7,725	7,725	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	9,500	7,725	7,725	-
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	20,225	20,225	18,524	1,701
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	20,225	20,225	18,524	1,701
<i>Excess (deficiency) of revenues over expenditures Non-GAAP basis)</i>	(10,725)	(12,500)	(10,799)	1,701
<i>Other financing sources (uses)</i>				
Designated Cash	3,225	-	-	-
Transfers In	7,500	12,500	12,500	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	10,725	12,500	12,500	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	1,701	1,701
<i>Cash Balance - Beginning of Year</i>	-	-	495	495
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 2,196	\$ 2,196
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) (non-GAAP basis)			\$ 1,701	
Adjustment to revenue for accruals and other deferrals			456	
Adjustment to expenditures for payables, prepaids and other accruals			1,375	
Net Change in Fund Balance (GAAP basis)			\$ 3,532	

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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**WATER IMPROVEMENT CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	958,765	958,765	513,141	(445,624)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	958,765	958,765	513,141	(445,624)
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	958,765	958,765	507,246	451,519
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	958,765	958,765	507,246	451,519
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	5,895	5,895
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	5,895	5,895
<i>Cash Balance - Beginning of Year</i>	-	-	(120)	(120)
<i>Cash Balance - End of Year</i>	\$ -	\$ -	\$ 5,775	\$ 5,775
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) (non-GAAP basis)			\$ 5,895	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net Change in Fund Balance (GAAP basis)			\$ 5,895	

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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**CDBG CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants	437,986	437,986	417,797	(20,189)
Charges For Services	-	-	-	-
Licenses and Fees	-	-	-	-
Interest Income	-	-	-	-
Investment Income(Loss)	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>437,986</b>	<b>437,986</b>	<b>417,797</b>	<b>(20,189)</b>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	432,884	432,884	412,695	20,189
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>432,884</b>	<b>432,884</b>	<b>412,695</b>	<b>20,189</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,102</u>	<u>5,102</u>	<u>5,102</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(441,679)	(441,679)	-	441,679
Transfers In	436,577	436,577	410,198	(26,379)
Transfers Out	436,577	(436,577)	(411,316)	25,261
<b>Total other financing sources (uses)</b>	<b>431,475</b>	<b>(441,679)</b>	<b>(1,118)</b>	<b>440,561</b>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>436,577</u>	<u>(436,577)</u>	<u>3,984</u>	<u>440,561</u>
<i>Cash Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>(3,984)</u>	<u>(3,984)</u>
<i>Cash Balance - End of Year</i>	<u>\$ 436,577</u>	<u>\$ (436,577)</u>	<u>\$ -</u>	<u>\$ 436,577</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) (non-GAAP basis)			\$ 3,984	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net Change in Fund Balance (GAAP basis)			<u>\$ 3,984</u>	

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund
<i>Assets</i>			
<i>Current assets</i>			
Cash and Investments	\$ 300,234	\$ 74,613	\$ 299,043
Accounts receivable	29,983	28,224	36,035
<i>Total current assets</i>	<u>330,217</u>	<u>102,837</u>	<u>335,078</u>
<i>Capital assets</i>			
Capital assets	8,238,751	3,357	6,663,303
Accumulated depreciation	(2,380,047)	(2,557)	(2,739,655)
<i>Total Capital assets</i>	<u>5,858,704</u>	<u>800</u>	<u>3,923,648</u>
<i>Total Assets</i>	<u>\$ 6,188,921</u>	<u>\$ 103,637</u>	<u>\$ 4,258,726</u>
<i>Liabilities and Net Position</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 15,979	\$ 6,910	\$ 7,080
Accrued salaries and wages	1,311	-	2,654
Accrued interest	13,417	-	35,395
Deposits payable	107,530	-	-
Due to Other Funds	-	-	-
Accrued compensated absences	-	-	-
Current portion of bonds and loans payable	31,700	-	35,688
<i>Total current liabilities</i>	<u>169,937</u>	<u>6,910</u>	<u>80,817</u>
<i>Noncurrent liabilities</i>			
Notes payable	1,639,000	-	947,521
Accrued compensated absences payable	-	-	-
<i>Total noncurrent liabilities</i>	<u>1,639,000</u>	<u>-</u>	<u>947,521</u>
<i>Total liabilities</i>	<u>1,808,937</u>	<u>6,910</u>	<u>1,028,338</u>
<i>Net Position:</i>			
Net investment in capital assets	4,188,004	800	2,940,439
Unrestricted			
Unrestricted, undesignated	191,980	95,927	289,949
<i>Total net position</i>	<u>4,379,984</u>	<u>96,727</u>	<u>3,230,388</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 6,188,921</u>	<u>\$ 103,637</u>	<u>\$ 4,258,726</u>

<u>Airport Fund</u>	<u>Ambulance Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
\$ 118,650	\$ 61,514	\$ 32,752	\$ 886,806
6,834	10,432	-	111,508
<u>125,484</u>	<u>71,946</u>	<u>32,752</u>	<u>998,314</u>
11,188,568	-	137,455	26,231,434
(4,228,329)	-	(95,055)	(9,445,643)
<u>6,960,239</u>	<u>-</u>	<u>42,400</u>	<u>16,785,791</u>
<u>\$ 7,085,723</u>	<u>\$ 71,946</u>	<u>\$ 75,152</u>	<u>\$ 17,784,105</u>
\$ 2,254	\$ -	\$ 16	\$ 32,239
694	183	-	4,842
-	-	-	48,812
-	-	-	107,530
-	-	-	-
-	-	-	-
-	-	-	67,388
<u>2,948</u>	<u>183</u>	<u>16</u>	<u>260,811</u>
-	-	-	2,586,521
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,586,521</u>
<u>2,948</u>	<u>183</u>	<u>16</u>	<u>2,847,332</u>
6,960,239	-	42,400	14,131,882
<u>122,536</u>	<u>71,763</u>	<u>32,736</u>	<u>804,891</u>
<u>7,082,775</u>	<u>71,763</u>	<u>75,136</u>	<u>14,936,773</u>
<u>\$ 7,085,723</u>	<u>\$ 71,946</u>	<u>\$ 75,152</u>	<u>\$ 17,784,105</u>

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2017

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund
<i>Operating revenues:</i>			
Charges for services	\$ 367,815	\$ 328,366	\$ 433,585
<i>Total operating revenues</i>	<u>367,815</u>	<u>328,366</u>	<u>433,585</u>
<i>Operating expenses:</i>			
Operating Expenses	152,397	-	42,818
Travel	1,958	-	4,633
Gross Receipts Tax	-	-	-
Depreciation	199,407	-	190,192
Purchases for Resale	-	-	-
Contract Services	46,198	291,219	66,922
Salaries	63,852	-	66,489
Supplies	28,711	1,500	42,622
<i>Total operating expenses</i>	<u>492,523</u>	<u>292,719</u>	<u>413,676</u>
<i>Operating income (loss)</i>	<u>(124,708)</u>	<u>35,647</u>	<u>19,909</u>
<i>Non-operating revenues (expenses):</i>			
Interest Income	160	-	371
Interest expense	(13,417)	-	(76,763)
Transfers	73,552	-	468,504
<i>Total non-operating revenues (expenses)</i>	<u>60,295</u>	<u>-</u>	<u>392,112</u>
<i>Change in net position</i>	(64,413)	35,647	412,021
<i>Total net position, beginning of year</i>	<u>4,444,397</u>	<u>61,080</u>	<u>2,818,367</u>
<i>Total net position, end of year</i>	<u>\$ 4,379,984</u>	<u>\$ 96,727</u>	<u>\$ 3,230,388</u>



<u>Airport Fund</u>	<u>Ambulance Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<u>\$ 91,675</u>	<u>\$ 55,387</u>	<u>\$ 12,400</u>	<u>\$ 1,289,228</u>
<u>91,675</u>	<u>55,387</u>	<u>12,400</u>	<u>1,289,228</u>
9,242	2,550	205	207,212
105	-	-	6,696
-	-	-	-
416,977	-	3,887	810,463
-	-	-	-
1,513	-	-	405,852
19,208	12,072	-	161,621
<u>18,050</u>	<u>-</u>	<u>2,893</u>	<u>93,776</u>
<u>465,095</u>	<u>14,622</u>	<u>6,985</u>	<u>1,685,620</u>
<u>(373,420)</u>	<u>40,765</u>	<u>5,415</u>	<u>(396,392)</u>
-	-	-	531
-	-	-	(90,180)
<u>8,226</u>	<u>-</u>	<u>-</u>	<u>550,282</u>
<u>8,226</u>	<u>-</u>	<u>-</u>	<u>460,633</u>
(365,194)	40,765	5,415	64,241
<u>7,447,969</u>	<u>30,998</u>	<u>69,721</u>	<u>14,872,532</u>
<u>\$ 7,082,775</u>	<u>\$ 71,763</u>	<u>\$ 75,136</u>	<u>\$ 14,936,773</u>

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
For the Year Ended June 30, 2017

	Sewer/AWWT Fund	Solid Waste Fund	Water Fund
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 367,815	\$ 309,822	\$ 433,585
Cash payments to employees/suppliers for goods and services	(315,056)	(292,719)	(220,925)
<i>Net cash provided for operating activities</i>	<u>52,759</u>	<u>17,103</u>	<u>212,660</u>
<i>Cash flows from noncapital financing activities:</i>			
Change in long term accrued compensated absences	-	-	4,481
Principal payments on notes payable	-	-	(35,688)
Interest paid	(13,417)	-	(76,763)
Transfers	73,552	-	468,504
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>60,135</u>	<u>-</u>	<u>360,534</u>
<i>Cash flows from investing activities:</i>			
Purchase of capital assets	(48,866)	-	(503,459)
<i>Net cash used by investing activities:</i>	<u>(48,866)</u>	<u>-</u>	<u>(503,459)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	64,028	17,103	69,735
<i>Cash and cash equivalents - beginning of year</i>	<u>236,186</u>	<u>57,510</u>	<u>229,308</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 300,214</u>	<u>\$ 74,613</u>	<u>\$ 299,043</u>
<i>Reconciliation of operating income (loss) to net cash provided (used)</i>			
<i>by operating activities</i>			
Operating income (loss)	\$ (124,708)	\$ 35,647	\$ 19,909
Adjustments to reconcile operating (loss) to net cash (used)			
by operating activities:			
Depreciation	199,407	-	190,192
Changes in assets and liabilities			
Receivables	8,172	(1,149)	(13,810)
Accrued expenses	(6,992)	-	33,784
Prepaid expenses	-	-	-
Accounts payable	(23,120)	(17,395)	(12,967)
Deposits payable	-	-	-
Accrued compensation absences	-	-	(4,448)
<i>Net cash (used) by operating activities</i>	<u>\$ 52,759</u>	<u>\$ 17,103</u>	<u>\$ 212,660</u>

<u>Airport Fund</u>	<u>Ambulance Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
\$ 91,675 (48,895)	\$ 55,387 (15,042)	\$ 12,400 (388)	\$ 1,270,684 (893,025)
<u>42,780</u>	<u>40,345</u>	<u>12,012</u>	<u>377,659</u>
-	-	-	4,481
-	-	-	(35,688)
-	-	-	(90,180)
8,226	-	-	550,282
<u>8,226</u>	<u>-</u>	<u>-</u>	<u>428,895</u>
<u>(14,608)</u>	<u>(10,249)</u>	<u>(2,694)</u>	<u>(579,876)</u>
<u>(14,608)</u>	<u>(10,249)</u>	<u>(2,694)</u>	<u>(579,876)</u>
36,398	30,096	9,318	226,678
82,256	31,418	23,434	660,112
<u>\$ 118,654</u>	<u>\$ 61,514</u>	<u>\$ 32,752</u>	<u>\$ 886,790</u>
\$ (373,420)	\$ 40,765	\$ 5,415	\$ (396,392)
416,977	-	3,887	810,463
-	-	-	(6,787)
-	-	-	26,792
-	-	-	-
(703)	(420)	2,710	(51,895)
-	-	-	-
(74)	-	-	(4,522)
<u>\$ 42,780</u>	<u>\$ 40,345</u>	<u>\$ 12,012</u>	<u>\$ 377,659</u>

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies**

The City of Moriarty (“City”) 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.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City’s financial statements. The financial statements and notes are the representation of the City’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 Government 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. Financial Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or 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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has no component units, and is not a component unit of another governmental agency.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary 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 revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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

STATE OF NEW MEXICO  
CITY OF MORIARTY  
Notes to the Financial Statements  
June 30, 2017

**B. Government-wide and fund financial statements (continued)**

operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in 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 and fiduciary 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 revenues in the year for which they are levied. 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 revenues to be available if they are 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
Notes to the Financial Statements  
June 30, 2017

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds. The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund and the Capital Project Airport Improvement Fund. No other funds were required to be presented as major at the discretion of management.

*General Fund* – 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. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

*Corrections Fund*- To account for the operation and maintenance of funds restricted for the judicial corrections. Authority NMSA 1978 59A-53-1 to 17. No minimum balance required according to legislation.

Major Capital Project Funds:

*Water Improvement Capital Project Fund* – It accounts for all revenue and expenditures associated with the Water Improvements approved by the State of New Mexico and funded by federal and state grants.

*CDBG Capital Project Fund* – It accounts for all revenue and expenditures associated with the CDBG Grant approved by the State of New Mexico and funded by federal grants.

The City reports its proprietary funds as a major business-type fund.

Major Enterprise Funds:

*Sewer/AWWT Fund* – to account for the provision of sewer services to the residents of the City.

*Solid Waste Disposal Fund* – to account for the provision of solid waste services to the residents of the City.

*Water Fund* – to account for the provision of water services to the residents of the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues reduce the cost of the function to be financed from the City’s general revenues. Amounts reported as *program revenues* include 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 revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
Notes to the Financial Statements  
June 30, 2017

for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

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

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's various utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments:** The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables:** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10<sup>th</sup> and April 10<sup>th</sup>. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

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**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

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

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Computer Equipment & Software	3
Vehicles	5-7
Equipment & Machinery	5-20
Buildings & Building Improvements	40
Plant & Distributing System	40

**Inventory:** Inventory is reflected at historical cost.

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

**Deferred Inflow/Outflows of Resources:** GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

**Compensated Absences:** Qualified employees are entitled to accumulate compensated absences earned. Upon termination, employees will be paid for all days of current year accrued annual leave not yet taken. Qualified employees are entitled to accumulate sick leave. Sick leave can be carried over from year to year. Upon termination employees receive no pay for sick time accumulated.

All vacation pay and applicable accumulated sick leave is accrued when incurred in the governmental-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the



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life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Net Position or Fund Equity:**

*Committed fund balance* represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

*Assigned fund balance* represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated.

*Restricted fund balance* represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

*Unassigned fund balance* is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

*Net Investment in capital assets, net of related debt* consists of net position including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Tax Revenues:** The City receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1<sup>st</sup> of each year and are payable in two equal installments, on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> of the following year with the levies becoming delinquent 30 days (one month) thereafter. The City recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The City records only the portion of the taxes considered 'measureable' and 'available' in the governmental fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**Pensions.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions

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to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Councilors and the Department of Finance and Administration. The legal level of budgetary control is at the fund level. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds, where applicable.

The City is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The City Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented.

The reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund are shown on each budgetary statement.

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**NOTE 3. Deposits and Investments**

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the City's deposits.

	Wells Fargo Bank Checking	US Bank Checking	NMFA Reserves
Operating	\$ 1,870,091	\$ 681,155	\$ -
NMFA reserves	-	-	279,330
Total Deposits	1,870,091	681,155	279,330
Less: FDIC Coverage	(467,195)	(250,000)	(279,330)
Total uninsured public funds	1,402,896	431,155	-
50% Collateral requirement	701,448	215,578	-
Pledged Securities	793,144	1,000,000	-
(Over)Under collateralized	\$ (91,696)	\$ (784,423)	\$ -
<b>Custodial Credit Risk-Deposits</b>			
Account Balance	\$ 2,830,576		
FDIC Insured	996,525		
Collateral:			
Collateral held by the pledging bank, not in the City's name	1,793,144		
Uninsured and uncollateralized	40,907		
Total Deposits	\$ 2,830,576		

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**NOTE 3. Deposits and Investments (continued)**

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

Reconciliation of Cash and Temporary Investments

Carrying amounts by fund per financial statement at June 30, 2017 is:

Governmental Funds- Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 2,423,543
Less Petty Cash	(250)
Reconciling items	407,283
Reconciling items	\$ 2,830,576

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged for bank accounts in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least 50% of the amount on deposit with the institution.

The New MexiGrow Local Governmental Investment Pool’s (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance. In accordance with Sections 6-10-10 I through 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 19078, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2017, the City’s investment balances were exposed to custodial credit risk as follows:

Investment in the State Treasurer Local Government Investment Pool	\$ 94,182
NMFA reserves	\$ 185,148

Interest Rate Risk and Credit Rating

The City does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The City’s investments at June 30, 2017 include the following:

State Treasurer LGIP, AAAM, 58-day WAM(R)	\$ 94,182
NMFA reserves	\$ 185,148

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**NOTE 4. Receivables**

Receivables as of June 30, 2017, are as follows:

	General Fund	Correction Fund	Other Governmental Funds	Total
Property Taxes Receivables:	\$ 4,971	\$ -	\$ -	\$ 4,971
Due from other governments:	172,214	1,356	48,717	222,287
	177,185	1,356	48,717	222,287

  

	Airport Fund	Sewer/AWWT Fund	Solid Waste Fund	Water Fund	Ambulance Fund
Accounts Receivable	\$ 6,834	\$ 29,983	\$ 28,224	\$ 36,035	\$ 10,432

The above governmental receivables are deemed 100% collectible. The utility accounts receivable are net of an estimated allowance for uncollectible accounts of \$0 due to the city's ordinance permitting liens on the property for any past due accounts.

**NOTE 5. Accounts Payables**

Accounts payable as of June 30, 2017, are as follows:

	Governmental activities		Business-like activities	
Payable to suppliers	\$	76,000	\$	32,239
Payables to employees		14,806		4,842
Total	\$	90,806	\$	37,081

Fund	Type	Amount
General Fund	Accounts Payable	\$ 50,154
Fire Protection Fund	Accounts Payable	\$ 6,094
Special Lodger's Tax	Accounts Payable	\$ 1,344
Street Fund	Accounts Payable	\$ 7,600
Industrial Park Fund	Accounts Payable	\$ 11
Road Improvement Fund	Accounts Payable	\$ 10,797
General Fund	Accrued Salaries and Benefits	\$ 11,444
Street Fund	Accrued Salaries and Benefits	\$ 3,362
Sewer /Awwt Fund	Accounts Payable	\$ 15,979
Solid Waste Fund	Accounts Payable	\$ 6,910
Water Fund	Accounts Payable	\$ 7,080
Airport Fund	Accounts Payable	\$ 2,254
Cemetery Fund	Accounts Payable	\$ 16
Sewer /Awwt Fund	Accrued Salaries and Benefits	\$ 1,311
Water Fund	Accrued Salaries and Benefits	\$ 2,654
Airport Fund	Accrued Salaries and Benefits	\$ 694
Ambulance Fund	Accrued Salaries and Benefits	\$ 183

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**NOTE 6. Interfund Receivables, Payables, and Transfers**

“Due to” and “Due from” balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances. As of June 30, 2017, there were no interfund balances.

Transfers

This schedule is reported on the government-wide basis of accounting due to the transfers of capital assets between governmental funds and business-type funds.

	Transfers In	Transfers Out
General Fund	\$ 429,376	\$ 552,540
Corrections Fund	12,500	-
Lodgers' Tax	-	129,996
Fire Fund	-	-
Street Fund	-	16,735
Capital Project- Vet Memorial	23,000	-
Capital Project-Roads Improvement	16,735	-
Capital Projects- Airport Improvements	952	19,026
Capital Projects – Main Streets Lights	4,923	-
Capital Projects – CDBG	410,198	411,316
Capital Project – Water Improvement	-	500,264
Civic Center Debt Service Fund	181,915	-
Enterprise-Sewer	73,552	-
Enterprise-Water	468,504	-
Enterprise-Airport	8,222	-
Total	\$ 1,629,877	\$ 1,629,877

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**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows.

<b>Governmental Activities</b>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Capital assets not depreciated:					
Land	\$ 324,307	\$ -	\$ -	\$ -	\$ 324,307
Construction in Progress	264,450	-	-	264,450	-
Capital assets being depreciated:					
Land Improvements	3,860,246	804,948	-	-	4,665,194
Buildings & Improvements	4,604,260	589,568	-	-	5,193,828
Equipment & Vehicles	2,469,984	79,068	3,622	343,540	2,209,134
Infrastructure	6,657,198	-	-	-	6,657,198
Total capital assets being depreciated	17,591,688	1,473,584	3,622	343,540	18,725,354
Total Capital Assets	<u>18,180,445</u>	<u>1,473,584</u>	<u>3,622</u>	<u>607,990</u>	<u>19,049,661</u>
Less accumulated depreciation:					
Land Improvements	2,807,242	290,337	-	-	3,097,579
Building & Improvements	1,449,570	135,051	-	-	1,584,621
Equipment & Vehicles	2,006,417	163,631	-	86,511	2,083,537
Infrastructure	1,490,710	689	-	-	1,491,399
Total Accumulated Depreciation	<u>7,753,939</u>	<u>589,708</u>	<u>-</u>	<u>86,511</u>	<u>8,257,136</u>
Total capital assets net of depreciation	<u>\$ 10,426,506</u>	<u>\$ 883,875</u>	<u>\$ 3,622</u>	<u>\$ 521,479</u>	<u>\$10,792,525</u>
<b>Business-Like Activities</b>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Capital assets not depreciated:					
Construction in Progress	\$ 228,630	\$ -	\$ -	\$ 228,630	\$ -
Capital assets being depreciated:					
Land, Building & Improvements	10,683,235	19,026	686,422	-	11,388,683
Water Rights	147,201	-	-	-	147,201
Plant and distributing system	14,277,472	736,352	(714,388)	-	14,299,436
Equipment, Machinery & Vehicles	447,351	16,398	6,046	73,681	396,114
Total Capital Assets	<u>25,783,889</u>	<u>771,776</u>	<u>(21,920)</u>	<u>302,311</u>	<u>26,231,434</u>
Less accumulated depreciation:					
Land, Building & Improvements	3,785,863	404,735	(7,109)	-	4,183,489
Water Rights	14,720	3,680	55,817	-	74,217
Plant and distributing system	4,604,691	385,693	34,251	74,440	4,950,195
Equipment, Machinery & Vehicles	301,654	19,045	(82,957)	-	320,699
Total Accumulated Depreciation	<u>8,706,929</u>	<u>813,153</u>	<u>2</u>	<u>74,440</u>	<u>9,445,643</u>
Total capital assets net of depreciation	<u>\$ 17,076,960</u>	<u>(41,377)</u>	<u>52,518</u>	<u>302,311</u>	<u>\$ 16,785,791</u>

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**NOTE 7. Capital Assets (continued)**

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

General Government	\$ 255,259
Public Safety	52,319
Public Works	281,441
Culture and Recreation	689
Health and Welfare	<u>-</u>
 Total depreciation expense governmental funds	 <u><u>\$ 589,708</u></u>

Depreciation expense relating to business-like activities for the year ended June 30, 2017 totaled \$589,708.

**NOTE 8. Long-term Debt**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
<b>Governmental Activities</b>					
NMFA Loan – Civic Center	\$ 577,301	\$ -	\$ 132,716	\$ 444,585	\$ 140,127
First Government Lease Company	119,052	-	42,477	76,575	20,915
US Bancorp	1,174	-	1,174	-	-
NMFA Loan – Drinking Water	79,559	-	-	79,559	-
NMFA Loan – Fire Equipment	-	503,779	-	503,779	27,049
Accrued Compensated Absences	77,958	69,155	85,127	61,986	6,278
<b>Total</b>	<u><u>\$ 855,044</u></u>	<u><u>\$ 572,934</u></u>	<u><u>\$ 261,494</u></u>	<u><u>\$ 1,166,484</u></u>	<u><u>\$ 194,369</u></u>
 <b>Business-type Activities</b>					
NMFA Loan – Water	\$ 148,660	\$ -	\$ 15,451	\$ 133,209	\$ 15,688
Revenue Bonds – 1999 Water & Sewer	870,000	-	20,000	850,000	20,000
Revenue Bonds – Wastewater Treatment Plant	1,703,100	-	32,400	1,670,700	31,700
Accrued Compensated Absences	6,887	-	6,887	-	-
<b>Total Long Term Debt</b>	<u><u>\$ 2,728,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 71,738</u></u>	<u><u>\$ 2,653,909</u></u>	<u><u>\$ 67,388</u></u>

The annual requirements to amortize the NMFA loan (Civic Center) payable as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 140,127	\$ 24,074	\$ 164,201
2019	148,022	16,548	164,570
2020	156,436	8,526	164,962
<b>Total</b>	<u><u>\$ 444,585</u></u>	<u><u>\$ 49,148</u></u>	<u><u>\$ 493,733</u></u>



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**NOTE 8. Long-term Debt (continued)**

The annual requirements to amortize the First Government Lease payable as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 23,068	\$ 7,885	\$ 30,953
2019	25,444	5,510	30,953
2020	28,064	2,890	30,954
Total	<u>\$ 76,575</u>	<u>\$ 96,285</u>	<u>\$ 92,859</u>

The NMFA Loan – Drinking Water is a revolving loan fund. The maximum principal amount of draw is \$613,000. The annual requirements to amortize the NMFA Loan – Drinking Water payable (at minimum) as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,501	\$ -	\$ 7,501
2018	7,520	-	7,520
2019	7,538	-	7,538
2020	7,557	-	7,557
2021	7,576	-	7,576
2022-2026	38,165	-	38,165
2027-2031	3,702	-	3,702
Total	<u>\$ 79,559</u>	<u>\$ -</u>	<u>\$ 79,559</u>

**Proprietary Fund debt amortization schedules as follows:**

The annual requirements to amortize the Revenue Bonds – 1999 Water & Sewer payable as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,000	\$ 40,375	\$ 60,375
2019	20,000	39,425	59,425
2020	20,000	38,475	58,475
2021	30,000	37,525	67,525
2022-2026	150,000	163,875	313,875
2027-2031	190,000	123,500	313,500
2032-2036	230,000	73,150	303,150
2037-2041	190,000	15,200	205,200
Total	<u>\$ 850,000</u>	<u>\$ 531,525</u>	<u>\$ 1,381,525</u>

The annual requirements to amortize the Revenue Bonds – Wastewater Treatment Plant payable as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	31,700	46,560	78,260
2019	32,600	45,680	78,280
2020	33,500	44,777	78,277
2021	34,400	43,848	78,248
2022-2026	186,600	204,385	390,985
2027-2031	213,800	176,777	390,777
2032-2036	244,900	145,533	390,433
2037-2041	280,400	109,459	389,859
2042-2046	321,300	68,076	389,376
2047-2052	291,500	20,599	312,099
Total	<u>\$ 1,670,700</u>	<u>\$ 905,894</u>	<u>\$ 2,576,594</u>

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**NOTE 8. Long-term Debt (continued)**

The annual requirements to amortize the NMFA Loan – Water payable as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	15,688	2,034	17,722
2019	15,937	1,826	17,763
2020	16,198	1,604	17,802
2021	16,473	1,372	17,845
2022-2026	68,913	2,894	71,807
Total	<u>\$ 133,209</u>	<u>\$ 9,730</u>	<u>\$ 142,939</u>

The annual requirements to amortize the NMFA Loan – Fire Equipment as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 27,049	\$ 10,755	\$ 37,804
2019	29,542	8,262	37,804
2020	30,040	7,765	37,805
2021	30,610	7,194	37,804
2022	31,247	6,558	37,805
2023-2027	168,071	10,954	179,025
2028-2032	187,219	1,732	188,951
Total	<u>\$ 503,779</u>	<u>\$ 53,220</u>	<u>\$ 556,999</u>

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

**NOTE 9. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The City of Moriarty participates in the New Mexico Self-Insurer's Fund risk pool. The City pays an annual premium to the pool based on claim experience and the status of the pool. The City is not liable for more than the premium paid.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City of Moriarty.

New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

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**NOTE 10. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

A. The following funds had a deficit fund balance:

Roads Improvement Capital Projects Fund	\$7,191
-----------------------------------------	---------

Fund deficits will be funded by general fund transfers or by grant revenues.

B. No expenditures exceeded budget appropriations by fund.

**NOTE 11. PERA Pension Plans**

**Plan description.** Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Benefits provided.** Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II.** The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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**NOTE 11. PERA Pension Plans (continued)**

*Contributions.* See PERA's compressive annual financial report for Contribution provided description

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

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**NOTE 11. PERA Pension Plans (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – At June 30, 2017, the City of Moriarty reported a liability of \$2,878,601 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City of Moriarty’s proportion of the net pension liability was based on a projection of the City of Moriarty’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City of Moriarty’s proportion was 0.32 %, which was a increase of 0.02% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City of Moriarty recognized pension expense of \$389,986. At June 30, 2017, City of Moriarty reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**For PERA Fund Division – the City’s General Division**, at June 30, 2017, the City reported a liability of \$1,198,247 for its proportionate share of the net pension liability. At June 30, 2016, the City’s proportion was 0.0750 percent, which was a decrease of .0001 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the City recognized PERA Fund – General, pension expense of \$137,144. At June 30, 2017, the City reported PERA Fund Division – General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,870	\$ 11,694
Changes of assumptions	70,263	199
Net difference between projected and actual earnings on pension plan investments	220,475	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	22,325	790
City contributions subsequent to the measurement date	60,565	-
Total	\$ 433,498	\$ 12,683

\$60,565 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018		83,611
2019		83,611
2020		137,263
2021		55,765
Thereafter	\$	-

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**NOTE 11. PERA Pension Plans (continued)**

For PERA Fund Division - the City's Fire Division, at June 30, 2017, the City reported a liability of \$358,900 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.0538 percent, which was an increase of 0.0059 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division – Fire pension expense of \$52,368. At June 30, 2017, the City reported PERA Fund Division – Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,253	\$ -
Changes of assumptions	18,984	-
Net difference between projected and actual earnings on pension plan investments	29,895	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	19,411	-
City contributions subsequent to the measurement date	14,752	-
<b>Total</b>	<b>\$ 99,195</b>	<b>\$ -</b>

\$14,752 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018		24,868
2019		24,868
2020		26,625
2021		8,182
Thereafter	\$	-

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**NOTE 11. PERA Pension Plans (continued)**

For PERA Fund Division - the City's Police Division, at June 30, 2017, the City reported a liability of \$1,321,454 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .1791 percent which is an increase of .0177 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division - Police pension expense of \$200,474. At June 30, 2017, the City reported PERA Fund Division – Police deferred outflows of resources and deferred inflows or ,resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,014	\$ -
Changes of assumptions	87,526	23,832
Net difference between projected and actual earnings on pension plan investments	208,995	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	62,648	56,438
City contributions subsequent to the measurement date	72,928	-
Total	<u>\$ 529,111</u>	<u>\$ 80,270</u>

\$72,928 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018		83,213
2019		83,213
2020		154,191
2021		55,296
Thereafter	\$	-

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**NOTE 11. PERA Pension Plans (continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

<b>PERA</b>	
<b>Actuarial valuation date</b>	June 30, 2015
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay, Open
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	Fair Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	



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**NOTE 11. PERA Pension Plans (continued)**

**Discount rate:** A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City of Moriarty's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City of Moriarty's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division – General	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City's proportionate share of the net pension liability	\$1,786,480	\$ 1,198,247	\$ 710,337
PERA Fund Division – Fire	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City's proportionate share of the net pension liability	\$469,440	\$358,900	\$ 268,104
PERA Fund Division – Police	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City's proportionate share of the net pension liability	\$1,944,186	\$ 1,321,454	\$ 812,131

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

**Payables to the pension plan.** At June 30, 2017, the City had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

**NOTE 12. 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.

**NOTE 13. Post-Employment Benefits**

*Plan description:* The City of Moriarty contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 RCHA 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 RCHA or viewed on their website at [www.nmrhca.stat.nm.us](http://www.nmrhca.stat.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$37,432, \$36,290 and \$33,792 respectively, which equal the required contributions for each year.

**NOTE 14. Contingent Liabilities**

The City is party to various claims and lawsuits arising in the normal course of business. Management is unaware of any material pending or threatened litigation, claims or assessments against the City which are not covered by the City's insurance as described in Note 9.

**NOTE 15. Federal and State Grants**

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 16. Joint Powers Agreements**

Operation of the Solid Waste System

*Purpose:* To operate the regional solid waste system.

*Participants:* The City of Moriarty, the County of Torrance, the Village of Willard, the Town of Mountainair, the Town of Estancia, and the Village of Encino (based on the agreement update on December 16, 1993).

*Responsible Party for Operation and Audit:* Estancia Valley Solid Waste Authority (EVSWA)

*Term:* Started August 2, 1983 and has no expiration date.

*Total Estimated Amount of Project and Actual Amount Contributed:* Undetermined

E911 Services

*Purpose:* To form the Torrance County Emergency Communication 911 District.

*Participants:* The City of Moriarty, the County of Torrance, the Village of Willard, the Town of Mountainair, and the Town of Estancia

*Responsible Party for Operation and Audit:* The Torrance County E911 District

*Term:* The agreement is valid for the fiscal year.

*Total Estimated Amount of Project and Actual Amount Contributed:* Undetermined

Wildland Fire Protection and Suppression

*Purpose:* To provide mutual wildland fire suppression and management assistance and cooperation between the City of Moriarty and the Energy, Mineral and Nature Resources Department, Forestry Division (EMNRD)

*Participants:* The City of Moriarty and the Energy, Mineral and Nature Resources Department, Forestry Division

*Responsible Party for Operation and Audit:* The City of Moriarty and EMNRD

*Term:* The agreement is for a term of five years but may be terminated at any time.

*Total Estimated Amount of Project and Actual Amount Contributed:* None

**NOTE 16. Joint Powers Agreements (continued)**

Roads and Streets Repair and Maintenance

*Purpose:* To provide a basis where by the Torrance County can assist the City of Moriarty in repairing roads and streets within the boundaries of the City of Moriarty. The County will provide and operate county equipment and provide personnel necessary to repair existing street and road surfaces within the City.

*Participants:* The City of Moriarty (agrees to purchase or provide materials, including costs of transportation necessary to do repair or maintenance, and reimburse Torrance County for labor costs, fuel and the use of county equipment) and the County of Torrance

*Responsible Party for Operation and Audit:* The City of Moriarty and the County of Torrance; Each party will maintain their own records

*Term:* Undetermined

*Total Estimated Amount of Project and Actual Amount Contributed:* None

EMWT Regional Water Association

*Purpose:* An joint powers agreement between the City of Moriarty, the Town of Estancia, the Village of Willard, and Torrance County for organizing an association, “EMWT Regional Water Association,” to acquire, construct, operate and maintain a water supply system to supply domestic, municipal, agricultural, commercial and industrial water services to customers through Torrance County and the portion of Santa Fe Country within the Estancia Underground Water basin, and encompassing all of Estancia Underground Water Basin, and specifically within the municipalities of Estancia, Moriarty and Willard.

*Participants:* The City of Moriarty, the Town of Estancia, the Village of Willard, and Torrance County

*Responsible Party for Operation and Audit:* EMWT Regional Water Association

*Term:* Effective August 8, 2009 and remain effect until contract August 11, 2015

*Total Estimated Amount of Project and Actual Amount Contributed:* None

**NOTE 17. Related Party Transactions**

The City of Moriarty paid \$16,897 for supplies to Hart’s Home Center which is owned by the Mayor.

**NOTE 18. Tax Abatements**

The City of Moriarty has evaluated GASB 77 with regard to tax abatements and has determined that the City is not a party to the any agreements that abate taxes.

**NOTE 19. Subsequent Review**

The City of Moriarty has evaluated subsequent events through August 10, 2017, which is the date the financial statements were dated. There were no subsequent events identified.

**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the City with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

**Emergency Medical Services Fund**

To account for the operation and maintenance of medical services (i.e. rescue operations), and equipment within the fire department in the City of Moriarty. Authority NMSA 1978 24-10A-1 to 10. No minimum balance required according to legislation.

**Fire Protection Fund**

To account for the operation and maintenance of the fire department authorized by the State Statute Chapter 48, Section 2, Laws of 1963. Financing is provided by the State Fire Allotment, emergency medical services, interest on investments and miscellaneous revenues. No minimum balance required according to legislation.

**Law Enforcement Protection Fund**

To account for the operation and maintenance of the police department authorized by the State Statute Chapter 289, Laws of 1983. Financing is provided by a grant from the State of New Mexico. No minimum balance required according to legislation.

**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. No minimum balance required according to legislation.

**Lodgers' Tax Promotion Fund**

To account for revenues and expenditures per the Lodger's Tax Ordinance 500 of the City. Funds are restricted for promotion and advertising of the City. No minimum balance required according to legislation.

**Street Fund**

To account for revenue 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. No minimum balance required according to legislation.

**Industrial Park Fund**

To account for monies earned and used for the Industrial Park. Funds are restricted for use on the industrial park of the City. No minimum balance required according to legislation.

**All funds are on a reimbursement basis, therefore there are no reverting fund requirements.**

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**CAPTIAL PROJECT FUNDS**

**Vet Memorial Capital Project Fund**

To account for monies related to the Vets Memorial Park. No minimum balance required according to legislation.

**Fire Department Capital Project Fund**

To account for reserve monies related to Fire Department Legislative Appropriation from the State of New Mexico. No minimum balance required according to legislation.

**Main Street Lighting Capital Project Fund**

To account for reserve monies related to Main Street Lighting Legislative Appropriation from the State of New Mexico. No minimum balance required according to legislation.

**Roads Improvement Capital Project Fund**

To account for reserve monies related to local road maintenance. No minimum balance required according to legislation.

**Airport Improvement Capital Project Fund**

To account for grant monies from the FAA related to the Airport improvements. No minimum balance required according to legislation.

**DEBT SERVICE FUND**

**Civic Center Debt Service Fund**

To account for the payments of principal and interest on the debt for the Civic Center. No minimum balance required according to legislation.

**PROPRIETARY FUNDS**

**Sewer Fund**

To account for the activities of the City's sewer operation.

**Solid Waste Fund**

To account for the activities of the City's solid waste operation.

**Water Fund**

To account for the activities of the City's water operation.

**Airport Fund**

To account for the activities for airport improvements authorized by the State Statute, Chapter 3, Section 39.

**Cemetery Fund**

To account for the activities of the City's Cemetery operations and maintenance authorized by the State Statute, Chapter 3, Section 40-1.

STATE OF NEW MEXICO  
CITY OF MORIARTY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017

Schedule A-1

	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ 14,992	\$ -
Investments	-	-	-
Accounts and taxes receivable	-	-	-
Other receivables	-	-	-
Due From Other Funds	-	-	-
Due from other governments	-	-	-
<i>Total assets</i>	<u>-</u>	<u>14,992</u>	<u>-</u>
<i>Liabilities</i>			
Accounts payable	-	6,094	-
Accrued salaries and benefits	-	-	-
Due To other Funds	-	-	-
Accrued compensated absences	-	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>6,094</u>	<u>-</u>
<i>Deferred Inflows of Resources</i>			
Unavailable revenue-property taxes	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>			
Fund Balance			
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	8,898	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>8,898</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources and fund balance</i>	<u>\$ -</u>	<u>\$ 14,992</u>	<u>\$ -</u>

STATE OF NEW MEXICO  
CITY OF MORIARTY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017

Schedule A-1

Lodgers' Tax Fund	Special Lodgers' Tax Promotions	Street Fund	Industrial Park Fund
\$ 50,719	\$ 115,527	\$ 51,822	\$ 198,500
-	-	-	-
-	-	-	-
-	-	-	-
13,426	11,484	18,885	-
<u>64,145</u>	<u>127,011</u>	<u>70,707</u>	<u>198,500</u>
-	1,344	7,600	11
-	-	3,362	-
-	-	-	-
-	-	1,079	-
-	-	-	-
<u>-</u>	<u>1,344</u>	<u>12,041</u>	<u>11</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
64,145	125,667	58,666	198,489
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>64,145</u>	<u>125,667</u>	<u>58,666</u>	<u>198,489</u>
<u>\$ 64,145</u>	<u>\$ 127,011</u>	<u>\$ 70,707</u>	<u>\$ 198,500</u>

STATE OF NEW MEXICO  
CITY OF MORIARTY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017

Schedule A-1

	Vet Memorial Capital Project Fund	Fire Department Capital Project Fund	Main Street Lighting Capital Project Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 12,987	\$ -	\$ 1
Investments	-	-	-
Accounts and taxes receivable	-	-	-
Other receivables	-	-	-
Due from other governments	-	-	4,922
<i>Total assets</i>	<u>12,987</u>	<u>-</u>	<u>4,923</u>
<i>Liabilities</i>			
Accounts payable	-	-	-
Accrued salaries and benefits	-	-	-
Due To Other Funds	-	-	-
Accrued compensated absences	-	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources</i>			
Unavailable revenue-property taxes	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>			
Fund Balance			
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	12,987	-	4,923
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	-
<i>Total fund balances</i>	<u>12,987</u>	<u>-</u>	<u>4,923</u>
<i>Total liabilities and fund balances</i>	<u>\$ 12,987</u>	<u>\$ -</u>	<u>\$ 4,923</u>



**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2017**

	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Protection Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Revenues:</i>			
Taxes	\$ -	\$ -	\$ -
State Grants	8,796	250,899	25,400
Federal Grants	-	-	-
Charges for Services	-	-	-
Licenses and Fees	-	-	-
Investment Income (Loss)	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>8,796</u>	<u>250,899</u>	<u>25,400</u>
<i>Expenditures:</i>			
Current:			
General Government	-	-	-
Public Safety	8,796	242,135	27,581
Public Works	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>8,796</u>	<u>242,135</u>	<u>27,581</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>8,764</u>	<u>(2,181)</u>
<i>Other financing sources (uses)</i>			
Bond Proceeds	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>8,764</u>	<u>(2,181)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>134</u>	<u>2,181</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 8,898</u>	<u>\$ -</u>



Lodgers' Tax Fund	Special Lodgers' Tax Promotion Fund	Street Fund	Industrial Park Fund
\$ 139,147	93,470	\$ 236,885	\$ -
-	-	-	-
-	-	-	-
-	10,848	-	45,709
-	-	-	-
-	-	-	-
-	-	1,000	-
<u>139,147</u>	<u>104,318</u>	<u>237,885</u>	<u>45,709</u>
-	-	-	-
-	-	-	-
-	-	194,904	10,433
-	66,569	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>66,569</u>	<u>194,904</u>	<u>10,433</u>
<u>139,147</u>	<u>37,749</u>	<u>42,981</u>	<u>35,276</u>
-	-	-	-
-	-	-	-
<u>(129,996)</u>	<u>-</u>	<u>(16,735)</u>	<u>-</u>
<u>(129,996)</u>	<u>-</u>	<u>(16,735)</u>	<u>-</u>
9,151	37,749	26,246	35,276
<u>54,994</u>	<u>87,918</u>	<u>32,420</u>	<u>163,213</u>
<u>\$ 64,145</u>	<u>\$ 125,667</u>	<u>\$ 58,666</u>	<u>\$ 198,489</u>

**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2017**

	<u>Vet Memorial Capital Project Fund</u>	<u>Fire Department Capital Project Fund</u>	<u>Main Street Lighting Capital Project Fund</u>
<i>Revenues:</i>			
Taxes	\$ -	\$ -	\$ -
State Grants	46,400	-	4,922
Federal Grants	-	-	-
Charges for Services	-	-	-
Licenses and Fees	-	-	-
Investment Income (Loss)	-	-	-
Miscellaneous	52,998	-	-
<i>Total revenues</i>	<u>99,398</u>	<u>-</u>	<u>4,922</u>
<i>Expenditures:</i>			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Public Works	-	-	4,922
Culture and Recreation	237,651	-	-
Health and Welfare	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>237,651</u>	<u>-</u>	<u>4,922</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(138,253)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>			
Bond Proceeds	-	-	-
Transfers In	23,000	-	4,923
Transfers Out	-	-	-
<i>Total other financing sources (uses)</i>	<u>23,000</u>	<u>-</u>	<u>4,923</u>
<i>Net change in fund balances</i>	(115,253)	-	4,923
<i>Fund balances - beginning of year</i>	<u>128,240</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 12,987</u>	<u>\$ -</u>	<u>\$ 4,923</u>

<u>Road Improvement Capital Project Fund</u>	<u>Airport Improvement Capital Project Fund</u>	<u>Civic Center Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 469,502
63,796	18,074	-	418,287
-	-	-	-
-	-	-	56,557
-	-	-	-
-	-	2,701	2,701
-	-	-	53,998
<u>63,796</u>	<u>18,074</u>	<u>2,701</u>	<u>1,001,045</u>
-	-	-	-
-	-	-	278,512
54,243	-	-	264,502
-	-	2,899	307,119
-	-	-	-
-	-	-	-
-	-	130,803	130,803
-	-	48,213	48,213
<u>54,243</u>	<u>-</u>	<u>181,915</u>	<u>1,029,149</u>
<u>9,553</u>	<u>18,074</u>	<u>(179,214)</u>	<u>(28,104)</u>
-	-	-	-
16,735	952	181,915	227,525
-	(19,026)	-	(165,757)
<u>16,735</u>	<u>(18,074)</u>	<u>181,915</u>	<u>61,768</u>
26,288	-	2,701	33,664
<u>(33,479)</u>	<u>-</u>	<u>254,225</u>	<u>689,846</u>
<u>\$ (7,191)</u>	<u>\$ -</u>	<u>\$ 256,926</u>	<u>\$ 723,510</u>

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**PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
Required Supplementary Information  
June 30, 2017

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL**

**Public Employees Retirement Association (PERA) Plan**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0750%	0.0751%	0.0712%
City's proportionate share of the net pension liability (asset)	\$1,198,247	\$ 765,710	\$ 555,436
City's covered-employee payroll	\$ 634,185	\$ 645,067	\$ 591,293
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	188.94%	118.7%	93.94%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
Required Supplementary Information  
June 30, 2017

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION – POLICE**

**Public Employees Retirement Association (PERA) Plan**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.1791%	0.1614%	0.1840%
City's proportionate share of the net pension liability (asset)	\$ 1,321,454	\$ 776,102	\$ 599,820
City's covered-employee payroll	\$385,862	\$ 237,294	\$ 207,261
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	342.46%	327.0%	289.4%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
Required Supplementary Information  
June 30, 2017

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION – FIRE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0538%	0.0479%	0.0479%
City's proportionate share of the net pension liability (asset)	\$358,900	\$ 256,511	\$ 199,934
City's covered-employee payroll	\$ 129,407	\$ 119,139	\$ 107,762
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.34%	215.3%	185.5%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
Required Supplementary Information  
June 30, 2017

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

**Public Employees Retirement Association (PERA) Plan**

**PERA Fund Division - General**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 60,565	\$ 61,604	\$ 59,448
Contributions in relation to the contractually required contribution	\$ 60,565	\$ 61,604	\$ 59,448
Contribution deficiency (excess)	-	-	-

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for City is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO  
 CITY OF MORIARTY  
 Required Supplementary Information  
 June 30, 2017

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

**Public Employees Retirement Association (PERA) Plan**

**PERA Fund Division - Police**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 72,928	\$ 67,323	\$ 59,848
Contributions in relation to the contractually required contribution	\$ 72,928	\$ 67,323	\$ 59,848
Contribution deficiency (excess)	-	-	-

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for City is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO  
 CITY OF MORIARTY  
 Required Supplementary Information  
 June 30, 2017

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

**Public Employees Retirement Association (PERA) Plan**

**PERA Fund Division - Fire**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,752	\$ 13,582	\$ 12,285
Contributions in relation to the contractually required contribution	\$ 14,752	\$ 13,582	\$ 12,285
Contribution deficiency (excess)	-	-	-

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for City is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
Required Supplementary Information  
June 30, 2017  
**Notes to Required Supplementary Information  
For the Year Ended June 30, 2017**

**Changes of benefit terms.** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>.

**Assumptions.** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.

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## **SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**FOR PUBLIC FUNDS**  
**JUNE 30, 2017**

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2017	Name and Location of Safekeeper
Wells Fargo	FMAC FGPC, 2.5%, 7/1/2030 3128MMTS2	\$ 10,508	Bank of Mellon, New York, NY
Wells Fargo	FNMA FNMS, 3.0%, 11/1/2026 3132GRZP9	162,038	Bank of Mellon, New York, NY
Wells Fargo	FNMA FNMS, 3.0%, 11/1/2026 3138AQB96	60,301	Bank of Mellon, New York, NY
Wells Fargo	FNMA FNMS, 3.0%, 11/1/2026 3138MRQED	560,297	Bank of Mellon, New York, NY
US Bank	Letter of Credit # 523151, 12/1/2017 LOC	1,000,000	US Bank, Cincinnati, OH
		<u>\$ 1,793,144</u>	

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**STATE OF NEW MEXICO**  
**CITY OF MORIARTY**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
June 30, 2017

Schedule II

Bank Account Type/Name	Wells Fargo	US Bank	Total
Operating Cash	\$ 1,500,820	\$ -	\$ 1,500,820
Revenue Bond & Interest	66,842	-	66,842
Water & Sewer Trust	81,712	-	81,712
Sewer Revenue Bond	36,768	-	36,768
Sewer Asset Management	57,001	-	57,001
Sewer Bond & Interest Reserves	56,520	-	56,520
Water Bond & Interest Reserves	66,906	-	66,906
CDBG	-	-	-
Court Cash Account	1,356	-	1,356
Court bond account	2,166	-	2,166
Preferred Business Money Market	-	681,155	681,155
	1,870,091	681,155	2,551,246
Total On Deposit			
Reconciling Items	(407,283)	-	(407,283)
Reconciled Balance	\$ 1,462,808	\$ 681,155	\$ 2,143,963
Petty Cash			250
Amount Held in Reserve by NM State Treasurer			94,182
Amount Held in Reserve by NMFA			185,148
Total June 30, 2017			\$ 2,423,543
This amount is reflected in the financial statements as follows:			
Cash and cash equivalents-Exhibit A-1			\$ 2,423,543

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**COMPLIANCE SECTION**

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**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*  
INDEPENDENT AUDITOR'S REPORT**

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
City of Moriarty  
Moriarty, NM

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Capital Project funds, of the City of Moriarty as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Moriarty's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City of Moriarty, presented as supplemental information, and have issued our report thereon dated August 10, 2017

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Moriarty's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances 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 of Moriarty's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Moriarty's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we would consider to be a significant deficiency. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

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 function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. 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.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. The significant deficiency is described as 2017-001.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Moriarty'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.

### **City of Moriarty's Response to Findings**

The City of Moriarty's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Moriarty's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Moriarty's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Moriarty's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Precision Accounting LLC*

*Precision Accounting LLC*

Albuquerque, New Mexico

August 10, 2017

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
OTHER DISCLOSURES  
Year Ended June 30, 2017

**Section I – Prior year findings:**

2015-001 Lack of Controls over Utilities Billing and Payment Adjustments (Material Weakness) (cleared)  
2016-001 Lack of Controls over Utility Adjustments (Material Weakness) (cleared)  
2016-002 Noncompliance with NMSA and NMAC-Misappropriation of Assets (Significant Deficiency) (cleared)  
Special Investigation Finding 1- Modification of the Neptune Auto Reader Data in the Billing System (cleared)  
Special Investigation Finding 2- Lack of Controls Over Bulk Water Sales (cleared)  
Special Investigation Finding 3- Lack of Meter and System to Monitor Bulk Effluent Sales (cleared)  
Special Investigation Finding 4- Manual Meter Reading Errors for commercial Accounts (cleared)  
Special Investigation Finding 5- Compliance with Document and Data Retention Policy (cleared)  
Special Investigation Finding 6- Installation Issues for Some Neptune Auto Meter Readers (cleared)  
Special Investigation Finding 7- Segregation of Duties (cleared)  
Special Investigation Finding 8- Timely completion and monitoring of Work Orders (cleared)  
Special Investigation Finding 9- Changes in Master Data for Applications (cleared)  
Special Investigation Finding 10- Store Copies of Blank Check Stock in a Secured Location (cleared)  
Special Investigation Finding 11- Timely resolution to a reported issue (cleared)  
Special Investigation Finding 12- IT General Controls (cleared)  
Special Investigation Finding 13- Unapproved Billing Adjustments (cleared)  
Special Investigation Finding 14- Unreconciled Water Variance (Produced vs. Billed) (cleared)

**Section II – Current year findings:**

**2017-001 Noncompliance with Travel and Per Diem and DFA Rule 95-1 (Significant Deficiency)**

Condition: During the audit, we noted the following exceptions related to compliance with DFA Rule 95-1 regarding travel and per diem.

- Two (2) travel and per diem reimbursement vouchers out of the seventeen (17) travel reimbursement vouchers tested that contained transactions where the incorrect federal mileage reimbursement rate was used and two employees were overpaid. These exceptions totaled \$5.77 this amount projected across the entire travel and per diem population of \$3,665.45, equates to an error rate of .001%

Criteria: Department of Finance Authority Rule 95-1 states:

B. Rate: Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows:

1. Unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1<sup>st</sup> of the previous year for each mile traveled in a privately-owned vehicle.

Cause: The City did not update its travel and per diem forms for the change in the annual federal mileage rate.

Effect: The incorrect mileage rate from calendar year 2015 was being used, resulting in incorrect mileage reimbursements.

Recommendation: At the beginning of each calendar year, the client should update the Travel Reimbursement Request form used by personnel to have the correct rate displayed in the mileage reimbursement section.

Additionally, perform a review of all supporting documents, including authorizations for such travels, to be reimbursed.

Client Response: Our office received notice from the attorney that the rate had changed for the federal mileage rate, and we changed our forms from .50 per mile to .54 per mile. At the beginning of the year, however, we did not receive a new rate, and did not realize it had gone down. We have since, sent a memo to all departments regarding this change, and updated all forms for travel and per diem. We will be diligent, to check in the future, for any changes in the rate and apply them appropriately, as well as continuing to review all travel and per diem supporting documents for all travel in the future.

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STATE OF NEW MEXICO  
CITY OF MORIARTY  
OTHER DISCLOSURES  
Year Ended June 30, 2017

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

The City has the capability of understanding and accepting responsibility for its own GAAP-basis financial statements, however, the City's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on August 10, 2017. The following individuals were in attendance.

City of Moriarty

Ted Hart, Mayor

Sheila Larranaga-Murphy, City Clerk

Steven Anaya, Board Member

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CICA, CGMA

Zachary Hayes, Senior Accountant

Alexandra Yebra, Senior Accountant

Abram Martin, Intern