

STATE OF NEW MEXICO
City of Moriarty
ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2019



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City of Moriarty
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City of Moriarty
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June 30, 2019

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**STATE OF NEW MEXICO
City of Moriarty
Official Roster
June 30, 2019**

CITY COUNCIL

Ted Hart Mayor
Steve Anaya..... Councilor
Dennis Shanfeldt..... Councilor
Kim Garcia Councilor
Bobby Ortiz Councilor

ADMINISTRATIVE OFFICIALS

Shelia Larranaga-Murphy Clerk
Frances Bock Payroll Clerk

FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

Brian Colón, ESQ
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and City Councilors of
City of Moriarty
Moriarty, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the General Fund and major special revenue fund of the City of Moriarty (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility

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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 with the standards applicable to financial audits contained in Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit 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 the entity'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 the entity's internal control, and accordingly, no such opinion is expressed.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 auditor's opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the City, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require Schedules I, II, III and IV on pages 66-74, 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 auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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 the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Schedule VII), the combining and individual non-major fund financial statements (Statement A-1 and Statement A-2) and Supporting Schedules V and VI, required by Section 2.2.2 NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedule VII, Statement A-1, Statement A-2 and Schedule V and VI 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, Schedule VII, Statement A-1, Statement A-2 and Schedule V and VI are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The auditee corrective action plan on page 99 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico

November 6, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Moriarty
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,437,888	\$ 766,376	\$ 2,204,264
Restricted cash	1,175,102	324,789	1,499,891
Receivables:			
Taxes receivable	367,459	-	367,459
Other receivables, net	93,092	132,012	225,104
Customer receivables, net	-	116,734	116,734
Total current assets	3,073,541	1,339,911	4,413,452
Noncurrent assets			
Capital assets	20,601,558	31,615,948	52,217,506
Less: Accumulated depreciation	(9,235,942)	(11,120,318)	(20,356,260)
Total noncurrent assets	11,365,616	20,495,630	31,861,246
Deferred outflows of resources			
Deferred outflows of resources: Pension	867,080	60,278	927,358
Deferred outflows of resources: OPEB	261,504	18,166	279,670
Total deferred outflows	1,128,584	78,444	1,207,028
Total assets and deferred outflows of resources	\$ 15,567,741	\$ 21,913,985	\$ 37,481,726

See Independent Auditors' Report and Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 63,307	\$ 50,101	\$ 113,408
Accrued salaries and benefits	66,387	\$ 7,570	73,957
Accrued interest	12,136	45,006	57,142
Loans and capital leases payable	190,240	69,698	259,938
Compensated absences	55,999	4,923	60,922
Total current liabilities	388,069	177,298	565,367
Noncurrent liabilities			
Loans and capital leases payable	2,133,611	2,448,286	4,581,897
Compensated absences	6,022	8,206	14,228
Customer deposits	-	122,798	122,798
Net Pension liability	2,784,773	193,595	2,978,368
Net OPEB liability	1,396,165	97,059	1,493,224
Total noncurrent liabilities	6,320,571	2,869,944	9,190,515
Total Liabilities	6,708,640	3,047,242	9,755,882
Deferred inflows of resources			
Deferred inflows of resources: pension	221,764	15,417	237,181
Deferred inflows of resources: OPEB	360,743	25,078	385,821
Total deferred inflows of resources	582,507	40,495	623,002
Net Position			
Net investment in capital assets	11,365,616	17,977,646	29,343,262
Restricted for:			
Debt Service	28,795	324,789	353,584
Capital projects	1,088,238	-	1,088,238
Special Revenue	624,077	-	624,077
Unrestricted	(4,830,132)	523,813	(4,306,319)
Total net position	8,276,594	18,826,248	27,102,842
Total liabilities, deferred inflows of resources, and net position	\$ 15,567,741	\$ 21,913,985	\$ 37,481,726

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STATE OF NEW MEXICO
City of Moriarty
Statement of Activities
For the Year Ended June 30, 2019

Exhibit A-2

Functions and Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 1,015,705	\$ 185,779	\$ 185,875	\$ -	\$ (644,051)	\$ -	\$ (644,051)
Public safety	1,816,622	-	315,298	-	(1,501,324)	-	(1,501,324)
Public works	477,551	-	-	429,698	(47,853)	-	(47,853)
Culture and recreation	170,757	-	-	-	(170,757)	-	(170,757)
Health and welfare	500,079	-	-	-	(500,079)	-	(500,079)
Interest on long-term debt	72,548	-	-	-	(72,548)	-	(72,548)
Total Governmental Activities	4,053,262	185,779	501,173	429,698	(2,936,612)	-	(2,936,612)
Business-Type Activities							
Sewer	555,927	428,663	-	-	-	(127,264)	(127,264)
Solid waste	322,447	329,535	-	-	-	7,088	7,088
Water	527,121	451,465	-	92,277	-	16,621	16,621
Airport	679,204	66,309	-	924,298	-	311,403	311,403
Ambulance	90,283	107,033	-	-	-	16,750	16,750
Cemetery	6,924	10,558	-	-	-	3,634	3,634
Total Business-Type Activities	2,181,906	1,393,563	-	1,016,575	-	228,232	228,232
Total Primary Government	\$ 6,235,168	\$ 1,579,342	\$ 501,173	\$ 1,446,273	\$ (2,936,612)	\$ 228,232	\$ (2,708,380)
General Revenues:							
Taxes:							
					81,125	-	81,125
					2,059,935	-	2,059,935
					282,442	-	282,442
					13,404	-	13,404
					186,137	-	186,137
					25,488	835	26,323
					177,959	1,398	179,357
					(178,493)	178,493	-
					2,647,997	180,726	2,828,723
					(288,615)	408,958	120,343
					8,565,209	18,417,290	26,982,499
					\$ 8,276,594	\$ 18,826,248	\$ 27,102,842

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Moriarty
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Street</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 948,357	\$ 1,958	-	\$ 487,573
Restricted cash	5,628	-	\$ 1,115,688	53,786
Property taxes receivable	10,296	-	-	-
Gross receipt taxes receivable	357,163	-	-	-
Other receivables	6,031	68,969	-	18,092
Total assets	<u>\$ 1,327,475</u>	<u>\$ 70,927</u>	<u>\$ 1,115,688</u>	<u>\$ 559,451</u>
Liabilities				
Accounts payable	\$ 54,754	5,216	\$ -	\$ 3,337
Accrued salaries and benefits	64,356	2,031	-	-
Total liabilities	<u>119,110</u>	<u>7,247</u>	<u>-</u>	<u>3,337</u>
Fund balance				
General government	-	-	-	241,891
Public safety	5,628	-	-	79,613
Public works	-	63,680	-	-
Culture and recreation	-	-	-	233,265
Debt service expenditures	-	-	28,795	-
Capital projects	-	-	1,086,893	1,345
Committed:				
Minimum fund balance	226,233	-	-	-
Unassigned	976,504	-	-	-
Total fund balances	<u>1,208,365</u>	<u>63,680</u>	<u>1,115,688</u>	<u>556,114</u>
Total liabilities and fund balances	<u>\$ 1,327,475</u>	<u>\$ 70,927</u>	<u>\$ 1,115,688</u>	<u>\$ 559,451</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Total</u>
\$ 1,437,888
1,175,102
10,296
357,163
93,092
<u>\$ 3,073,541</u>
\$ 63,307
66,387
<u>129,694</u>
241,891
85,241
63,680
233,265
28,795
1,088,238
226,233
<u>976,504</u>
<u>2,943,847</u>
<u>\$ 3,073,541</u>

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STATE OF NEW MEXICO
City of Moriarty
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds **\$ 2,943,847**

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

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

Capital assets	20,601,558
Less: Accumulated depreciation	(9,235,942)

Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:

Accrued interest	(12,136)
------------------	----------

Deferred outflows and inflows relating to pension liabilities are not payable / collectible in the current period and therefore are not reported in the fund financial statements. Deferred outflows and inflows reported on the Statement of Net Position are as follows:

Deferred outflows-pension	867,080
Deferred inflows-pension	(221,764)
Deferred outflows-OPEB	261,504
Deferred inflows-OPEB	(360,743)

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Accrued compensated absences	(62,021)
Loans payable	(2,323,851)
Pension liability	(2,784,773)
OPEB liability	(1,396,165)

Total net position of governmental activities **\$ 8,276,594**

STATE OF NEW MEXICO
City of Moriarty
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Street</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>
Revenues				
Property taxes	\$ 81,125	\$ -	\$ -	\$ -
Gross receipt taxes	2,017,905	-	42,030	-
Gas tax	-	282,442	-	-
Franchise taxes	13,404	-	-	-
Lodgers' taxes	-	-	-	186,137
State operating grants	185,875	-	-	315,298
State capital grants	-	429,698	-	-
Charges for services	136,871	-	-	48,908
Licenses and fees	13,927	-	-	-
Interest income	682	-	23,005	1,801
Miscellaneous income	148,642	-	-	15,390
Total revenue	<u>2,598,431</u>	<u>712,140</u>	<u>65,035</u>	<u>567,534</u>
Expenditures				
Current:				
General government	738,604	-	-	43,144
Public safety	1,145,031	-	-	253,151
Public works	48,016	205,674	63,468	-
Culture and recreation	40,288	-	-	91,137
Health and welfare	384,891	-	-	-
Capital outlay	302,803	569,563	-	77,827
Debt service:				
Bond issuance expense	-	-	50,394	-
Principal	26,724	-	396,255	21,387
Interest	28,441	-	38,831	4,613
Total expenditures	<u>2,714,798</u>	<u>775,237</u>	<u>548,948</u>	<u>491,259</u>
Excess (deficiency) of revenues over expenditures	<u>(116,367)</u>	<u>(63,097)</u>	<u>(483,913)</u>	<u>76,275</u>
Other financing sources (uses)				
Transfers in	19,880	58,836	168,111	136,295
Transfers out	(261,731)	-	(154,351)	(145,533)
Loan proceeds	466,938	-	1,325,000	-
Total other financing sources (uses)	<u>225,087</u>	<u>58,836</u>	<u>1,338,760</u>	<u>(9,238)</u>
Net change in fund balance	108,720	(4,261)	854,847	67,037
Fund balance - beginning of year	1,099,645	67,941	260,841	489,077
Fund balance - end of year	<u>\$ 1,208,365</u>	<u>\$ 63,680</u>	<u>\$ 1,115,688</u>	<u>\$ 556,114</u>

<u>Total</u>	
\$	81,125
	2,059,935
	282,442
	13,404
	186,137
	501,173
	429,698
	185,779
	13,927
	25,488
	<u>164,032</u>
	<u>3,943,140</u>

781,748
1,398,182
317,158
131,425
384,891
950,193

	50,394
	444,366
	<u>71,885</u>
	<u>4,530,242</u>

(587,102)

	383,122
	(561,615)
	<u>1,791,938</u>
	<u>1,613,445</u>
	1,026,343
	1,917,504
\$	<u>2,943,847</u>

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**Reconciliation of the Statement of Revenues, Expenses and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

Net Change in Fund Balance - Governmental Funds	\$ 1,026,343
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay 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 recorded in capital outlay	950,193
Depreciation expense	(667,164)
Governmental funds report City pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension	
Pension expense	(221,208)
OPEB expense	(28,412)
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. Also, changes in accrued compensated absences does not consume current financial resources in governmental funds but does affect net position.	
Decrease in accrued compensated absences	(132)
Change in accrued interest	(663)
Debt issuance	(1,791,938)
Principal payments on bonds and loans payable	444,366
Change in Net Position of Governmental Activities	\$ (288,615)

STATE OF NEW MEXICO

Exhibit C-1

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, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property taxes	\$ 121,892	\$ 121,892	\$ 81,118	\$ (40,774)
Gross receipts	2,901,278	2,901,278	1,930,779	(970,499)
Gasoline and Motor vehicle	-	-	-	-
Franchise tax	18,335	18,335	12,202	(6,133)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	279,304	279,304	185,875	(93,429)
State capital grants	-	-	-	-
Charges for services	205,669	205,669	136,871	(68,798)
Licenses and fees	20,927	20,927	13,927	(7,000)
Interest income (loss)	1,025	1,025	682	(343)
Miscellaneous	223,356	223,356	148,642	(74,714)
Total revenue	<u>3,771,786</u>	<u>3,771,786</u>	<u>2,510,096</u>	<u>(1,261,690)</u>
Expenditures				
Current				
General government	1,169,673	1,169,673	744,904	424,769
Public safety	1,799,035	1,799,035	1,145,712	653,323
Public works	75,396	75,396	48,016	27,380
Culture and recreation	63,262	63,262	40,288	22,974
Health and Welfare	569,334	569,334	362,579	206,755
Capital outlay	92,928	92,928	59,181	33,747
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>3,769,628</u>	<u>3,769,628</u>	<u>2,400,680</u>	<u>1,368,948</u>
Excess (deficiency) of revenues over expenditures	<u>2,158</u>	<u>2,158</u>	<u>109,416</u>	<u>107,258</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(2,158)	(2,158)		
Transfers in	-	-	19,880	19,880
Transfers out	(170,360)	(170,360)	(76,896)	93,464
Total other financing sources (uses)	<u>(170,360)</u>	<u>(170,360)</u>	<u>(57,016)</u>	<u>113,344</u>
Net Change in fund balance	(168,202)	(168,202)	52,400	
Fund balance - beginning of year	934,074	934,074	934,074	
Fund balance - end of year	<u>\$ 934,074</u>	<u>\$ 765,872</u>	<u>\$ 986,474</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>52,400</u>	
Adjustments to revenue for receivables loan intercept revenues			555,273	
Adjustment to expenditures for accounts payable and capital outlay			(498,953)	
Net Change in fund balance (GAAP basis)			<u>\$ 108,720</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Moriarty
Street

Exhibit C-2

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	310,196	310,196	256,755	(53,441)
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	519,136	519,136	429,698	(89,438)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	829,332	829,332	686,453	(142,879)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	257,500	257,500	200,404	57,096
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	731,832	731,832	569,563	162,269
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	989,332	989,332	769,967	219,365
Excess (deficiency) of revenues over expenditures	(160,000)	(160,000)	(83,514)	76,486
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	160,000	160,000	-	-
Transfers in	160,000	160,000	58,836	(101,164)
Transfers out	-	-	-	-
Total other financing sources (uses)	160,000	160,000	58,836	(101,164)
Net Change in fund balance	-	-	(24,678)	
Fund balance - beginning of year	-	-	32,142	
Fund balance - end of year	\$ 7,464	\$ 7,464	\$ 7,464	
Net change in fund balance (non-GAAP budgetary basis)			(24,678)	
Adjustments to revenue for increase in receivables			25,687	
Adjustment to expenditures for increase in liabilities			(5,270)	
Net Change in fund balance (GAAP basis)			\$ (4,261)	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Moriarty
Statement of Net Position
Proprietary Funds
June 30, 2019

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	<u>Airport</u>
Assets				
Cash and cash equivalents	\$ 189,709	\$ 100,956	\$ 214,709	\$ 110,152
Restricted cash	166,353	-	158,436	-
Other receivables	-	-	17,741	114,271
Accounts receivable, net	35,624	30,222	38,256	1,500
Total current assets	<u>391,686</u>	<u>131,178</u>	<u>429,142</u>	<u>225,923</u>
Noncurrent assets				
Capital assets	8,263,966	3,357	7,113,594	15,912,741
Less: Accumulated depreciation	(2,770,445)	(2,557)	(3,025,385)	(5,215,374)
Total noncurrent assets	<u>5,493,521</u>	<u>800</u>	<u>4,088,209</u>	<u>10,697,367</u>
Deferred outflows of resources				
Deferred outflows from pensions	-	-	37,094	13,910
Deferred outflows from OPEB	-	-	11,179	4,192
Total deferred outflows	<u>-</u>	<u>-</u>	<u>48,273</u>	<u>18,102</u>
Total assets, and deferred outflows of resources	<u>\$ 5,885,207</u>	<u>\$ 131,978</u>	<u>\$ 4,565,624</u>	<u>\$ 10,941,392</u>
Liabilities, deferred inflows and net position				
Liabilities				
Accounts payable	14,176	25,315	6,651	3,959
Accrued salaries and benefits	2,082	-	3,383	794
Accrued interest	11,050	-	33,956	-
Loans payable	33,500	-	36,198	-
Compensated absences	1,474	-	2,090	-
Total current liabilities	<u>62,282</u>	<u>25,315</u>	<u>82,278</u>	<u>4,753</u>
Noncurrent liabilities				
Loans payable	1,572,900	-	875,386	-
Compensated absences	3,539	-	3,876	-
Customer deposits	122,798	-	-	-
Net pension liability	-	-	119,135	44,676
Net OPEB liability	-	-	59,729	22,398
Total noncurrent liabilities	<u>1,699,237</u>	<u>-</u>	<u>1,058,126</u>	<u>67,074</u>
Total liabilities	<u>1,761,519</u>	<u>25,315</u>	<u>1,140,404</u>	<u>71,827</u>
Deferred inflows of resources				
Deferred inflows from pensions	-	-	9,487	3,558
Deferred inflows from OPEB	-	-	15,433	5,787
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>24,920</u>	<u>9,345</u>
Net position				
Net investment in capital asset	3,887,121	800	3,176,625	10,697,367
Restricted for:				
Debt service	166,353	-	158,436	-
Unrestricted	70,214	105,863	65,239	162,853
Total net position	<u>4,123,688</u>	<u>106,663</u>	<u>3,400,300</u>	<u>10,860,220</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,885,207</u>	<u>\$ 131,978</u>	<u>\$ 4,565,624</u>	<u>\$ 10,941,392</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
\$ 110,688	\$ 40,162	\$ 766,376
-	-	324,789
-	-	132,012
11,132	-	116,734
<u>121,820</u>	<u>40,162</u>	<u>1,339,911</u>
184,835	137,455	31,615,948
(11,501)	(95,056)	(11,120,318)
<u>173,334</u>	<u>42,399</u>	<u>20,495,630</u>
9,274	-	60,278
2,795	-	18,166
<u>12,069</u>	<u>-</u>	<u>78,444</u>
<u>\$ 307,223</u>	<u>\$ 82,561</u>	<u>\$ 21,913,985</u>
-	-	50,101
1,311	-	7,570
-	-	45,006
-	-	69,698
1,359	-	4,923
<u>2,670</u>	<u>-</u>	<u>177,298</u>
-	-	2,448,286
791	-	8,206
-	-	122,798
29,784	-	193,595
14,932	-	97,059
<u>45,507</u>	<u>-</u>	<u>2,869,944</u>
<u>48,177</u>	<u>-</u>	<u>3,047,242</u>
2,372	-	15,417
3,858	-	25,078
<u>6,230</u>	<u>-</u>	<u>40,495</u>
173,334	42,399	17,977,646
-	-	324,789
79,482	40,162	523,813
<u>252,816</u>	<u>82,561</u>	<u>18,826,248</u>
<u>\$ 307,223</u>	<u>\$ 82,561</u>	<u>\$ 21,913,985</u>

STATE OF NEW MEXICO
City of Moriarty
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	<u>Airport</u>
Operating revenues:				
Charges for services	\$ 428,663	\$ 329,535	\$ 451,465	\$ 66,309
Total operating revenues	<u>428,663</u>	<u>329,535</u>	<u>451,465</u>	<u>66,309</u>
Operating expenses:				
Depreciation and amortization	196,342	-	182,533	519,637
Personnel services	66,737	-	150,168	31,182
Contractual services	-	322,447	12,346	28,028
Supplies	-	-	40,499	29,961
Maintenance and materials	84,877	-	15,115	1,770
Utilities	-	-	52,630	64,278
Miscellaneous	163,124	-	31,183	4,348
Total operating expense	<u>511,080</u>	<u>322,447</u>	<u>484,474</u>	<u>679,204</u>
Operating income (loss)	<u>(82,417)</u>	<u>7,088</u>	<u>(33,009)</u>	<u>(612,895)</u>
Non-operating revenues (expense):				
Interest income	205	-	630	-
Other Income	-	-	1,398	-
Interest expense	(44,847)	-	(42,647)	-
Total non-operating revenues (expense)	<u>(44,642)</u>	<u>-</u>	<u>(40,619)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(127,059)</u>	<u>7,088</u>	<u>(73,628)</u>	<u>(612,895)</u>
Transfers in	-	-	18,056	-
Transfers out	-	-	(24,398)	-
State and federal capital grants	-	-	92,277	924,298
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>85,935</u>	<u>924,298</u>
Change in Net Position	<u>(127,059)</u>	<u>7,088</u>	<u>12,307</u>	<u>311,403</u>
Net Position - beginning of the year	4,250,747	99,575	3,387,993	10,548,817
Net Position - end of the year	<u>\$ 4,123,688</u>	<u>\$ 106,663</u>	<u>\$ 3,400,300</u>	<u>\$ 10,860,220</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
\$ 107,033	\$ 10,558	\$ 1,393,563
107,033	10,558	1,393,563
11,501	-	910,013
75,110	-	323,197
3,672	-	366,493
-	6,642	77,102
-	-	101,762
-	282	117,190
-	-	198,655
90,283	6,924	2,094,412
16,750	3,634	(700,849)
-	-	835
-	-	1,398
-	-	(87,494)
-	-	(85,261)
16,750	3,634	(786,110)
184,835	-	202,891
-	-	(24,398)
-	-	1,016,575
184,835	-	1,195,068
201,585	3,634	408,958
51,231	78,927	18,417,290
\$ 252,816	\$ 82,561	\$ 18,826,248

STATE OF NEW MEXICO
City of Moriarty
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>	<u>Airport</u>
Cash flow from operating activities				
Cash received from customers	\$ 434,435	\$ 329,646	\$ 447,431	\$ 70,944
Cash payments to employees for services	(66,440)	-	(142,565)	(28,716)
Cash payments to suppliers for goods and services	(245,585)	(322,447)	(151,603)	(128,458)
Net cash provided by operating activities	<u>122,410</u>	<u>7,199</u>	<u>153,263</u>	<u>(86,230)</u>
Cash flow from noncapital financing activities				
Miscellaneous	-	-	1,398	-
Transfers	-	-	(6,342)	-
Net cash flows provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(4,944)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Interest paid	(45,072)	-	(41,544)	-
Principal payments	(32,600)	-	(35,937)	-
Transfers	-	-	-	-
Acquisition of capital assets	(25,215)	-	(115,602)	(974,173)
Proceeds from capital governmental contributions	-	-	74,536	810,027
Net cash provided (used) by capital and related financing activities	<u>(102,887)</u>	<u>-</u>	<u>(118,547)</u>	<u>(164,146)</u>
Cash flows from investing activities				
Interest income	205	-	630	-
Net cash provided by investing activities	<u>205</u>	<u>-</u>	<u>630</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	19,728	7,199	30,402	(250,376)
Cash & cash equivalents - beginning of year	336,334	93,757	342,743	360,528
Cash & cash equivalents - end of year	<u>\$ 356,062</u>	<u>\$ 100,956</u>	<u>\$ 373,145</u>	<u>\$ 110,152</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (82,417)	\$ 7,088	\$ (33,009)	\$ (612,895)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Pension and OPEB expense	-	-	6,519	2,444
Depreciation	196,342	-	182,533	519,637
Changes in assets & liabilities:				
Receivables	(2,402)	111	(4,034)	4,635
Accounts payable	2,416	-	170	(73)
Accrued salaries and benefits	(228)	-	583	22
Compensated absences	525	-	501	-
Customer deposits	8,174	-	-	-
Net cash provided (used) by operating activities	<u>\$ 122,410</u>	<u>\$ 7,199</u>	<u>\$ 153,263</u>	<u>\$ (86,230)</u>

<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
\$ 106,911	\$ 10,558	\$ 1,399,925
(74,292)	-	(312,013)
(3,672)	(6,924)	(858,689)
<u>28,947</u>	<u>3,634</u>	<u>229,223</u>
-	-	1,398
-	-	(6,342)
-	-	(4,944)
-	-	(86,616)
-	-	(68,537)
184,835	-	184,835
(184,835)	-	(1,299,825)
-	-	884,563
-	-	(385,580)
-	-	835
-	-	835
28,947	3,634	(160,466)
81,741	36,528	1,251,631
<u>\$ 110,688</u>	<u>\$ 40,162</u>	<u>\$ 1,091,165</u>
\$ 16,750	\$ 3,634	\$ (700,849)
628	-	9,591
11,501	-	910,013
(122)	-	(1,812)
-	-	2,513
(406)	-	(29)
596	-	1,622
-	-	8,174
<u>\$ 28,947</u>	<u>\$ 3,634</u>	<u>\$ 229,223</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies

The City of Moriarty (City) was incorporated in 1953. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), culture and recreation, public improvements, planning and zoning, highways and streets, public utilities (wastewater, water and solid waste), health and social services, and general administrative services.

The City is a body politic and incorporated under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have a common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

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 are responsible for their integrity and objectivity.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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 Statement No. 14 as amended by GASB Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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 does not have any component units required to be reported under GASB Statements No. 14, No. 39, and No. 61.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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*.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's Net Position is reported in three parts; net investments in capital assets; restricted net position; and unrestricted net position.

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 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.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 allocated to separate functions on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

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. Major 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.

The Street Fund is used to account for the receipts and expenditures of special gasoline tax and gross receipt tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by state statute NMSA 7-1-6.27.

Debt Service fund is used to account for the resources accumulated and payments made for the principal and interest on general long-term debt for governmental funds. Authorization is by the City Council.

The City reports the following proprietary funds as major funds. Proprietary funds include:

The Sewer Fund accounts for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations, billing, and maintenance.

Solid Waste Disposal Fund accounts for the provision of solid waste services to the residents of the City.

The Water Fund accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations, billing, and maintenance.

The Airport Fund accounts for the operations of the City airport. Financing is primarily provided through rental leases, fuel sales, and grant proceeds.

The Ambulance Fund accounts for the operations of the City's ambulance service. Users of the service are billed for the services.

Cemetery Fund – Accounts 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
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for utility services. 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, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance

Cash and Cash Equivalents: 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, interest-bearing savings accounts, bonds or other obligations of the US. Government, which are guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

Receivables and Payables: Activity between funds that is 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 inter-fund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of inter-fund 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 in the event they are not received within 60 days of year end.

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 considered 100% collectible. The allowance for doubtful accounts for customer receivables is calculated based on the aging of the customer accounts receivable and the City's historical experience with these receivables.

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. As of June 30, 2019 the City had no prepaid expenses.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Capital Assets: Capital assets, which include property, plant, utility systems, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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. 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). Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0

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

Asset	Years
Computer Equipment and Software	3
Vehicles	5-7
Equipment & Machinery	5-20
Buildings and Improvements	40
Plant and Distribution System	40

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2019, along with applicable PERA and Retiree Health Care.

Unearned Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a recognized consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred outflows for pension liabilities and retirement healthcare (OPEB liabilities). These amounts are deferred and recognized as an outflow of resources in that period that the amounts become available. The City also reports deferred inflows of resources in the Statement of Net Position related pension liabilities and OPEB liabilities.

Compensated Absences: Qualified employees are entitled to accumulate annual leave based on their employment classification and length of employment. The City allows employees to accumulate unused sick leave up to a maximum of 240 hours. The City does not allow for any sick leave to be converted to cash payouts. No employee receives a cash payout of their unused sick leave upon termination.

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.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

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

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of 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 those assets.

Restricted Net Position – Consist of net position 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.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of inter-fund loans. At June 30, 2019 the City did not report any non-spendable fund balances.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

At June 30, 2019, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,741,110 for various City operations as restricted by the minimum fund balance in the general fund and enabling legislation in the special revenue funds, debt service, and for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 16 and 17.

Committed – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds, and permanent funds.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$226,233 to meet minimum fund balance requirements for the General Fund.

The City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Inter-fund 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 inter-fund 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 inter-fund transfers are reported as operating transfers.

Tax Revenues: The City receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and May 10th 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.

Estimates: The preparation of financial statements in accordance 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. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the enterprise funds, the current portion of accrued compensated absences, the net pension liability the net OPEB liability and related amounts, and the useful lives of capital assets.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

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. 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 as the legal level of budgetary control is at the fund level.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of 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, and Capital Projects Funds. 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, 2019 is presented as part of the budgetary statements.

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, 2019.

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 collateralization as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

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.

All of the City's accounts at an insured depository institution, including 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.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978) that 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.

At June 30, 2019, \$2,227,596 of the City's bank balance of \$2,727,596 was exposed to custodial credit risk, \$1,508,092 of the City's cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name, and \$719,504 was uninsured and uncollateralized at June 30, 2019.

	<u>Wells Fargo</u>	<u>US Bank</u>	<u>Total</u>
Deposits	\$ 2,045,077	\$ 682,519	\$ 2,727,596
Less: FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>1,795,077</u>	<u>432,519</u>	<u>2,227,596</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>1,075,573</u>	<u>432,519</u>	<u>1,508,092</u>
Uninsured and uncollateralized	<u>719,504</u>	<u>-</u>	<u>719,504</u>
Collateral requirements (50% of uninsured funds)	\$ 897,539	\$ 216,260	\$ 1,113,798
Pledged Collateral	<u>1,075,573</u>	<u>1,000,000</u>	<u>2,075,573</u>
Over (under) collateralized	<u>\$ 178,035</u>	<u>\$ 783,741</u>	<u>\$ 961,775</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

The Carrying Amount of deposits and investments are included in the City's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities per Exhibit A-1	\$	1,437,888
Restricted cash and cash equivalents - Governmental Activities per Exhibit A-1		1,175,102
Cash and cash equivalents - Business-type Activities per Exhibit A-1		766,376
Restricted cash and cash equivalents - Business-type Activities per Exhibit A-1		<u>324,789</u>
Total cash and cash equivalents		<u>3,704,155</u>
Add: outstanding checks		219,053
Less: outstanding deposits		-
Less: petty cash		(250)
Less: cash held at the NMFA		<u>(1,195,362)</u>
Bank balance of deposits	\$	<u><u>2,727,596</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2019, are as follows:

	Governmental Funds	Proprietary Funds
Taxes Recieveable:		
Gross receipts taxes	\$ 357,163	\$ -
Property taxes	10,296	-
Gas taxes	68,969	-
Lodgers Taxes	18,092	-
Franchise taxes	2,964	-
Other receivables:		
Miscellaneous	3,067	-
<i>Customer Receivables, Net</i>		116,734
State grants		62,797
Federal grants		69,215
Total Receivables, Net	\$ 460,551	\$ 248,746

The above governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements. The utility accounts receivable are a net of estimated allowance for doubtful accounts. All other business type fund's account receivables older than 90 days were immaterial and accordingly the City did not accrue an allowance for doubtful accounts for these funds.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 5. Transfers

Transfers for the City for the year ended June 30, 2018 were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General	Ambulance	\$ 184,835
Corrections	Debt Service	1,820
Fire	Debt Service	37,945
General	Debt Service	76,896
Lodgers Tax	Debt Service	27,052
Water	Debt Service	24,398
Lodgers Tax	General	19,880
Debt Service	Lodgers Tax	136,295
Lodgers Tax	Streets	58,836
Debt Service	Water	18,056
Total		<u>\$ 586,013</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows (land and construction in progress is not subject to depreciation):

Government activities:	<u>Balance June 30,</u> 2018	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30,</u> 2019
Capital assets not depreciated:				
Land	\$ 921,541	\$ -	\$ -	\$ 921,541
Construction In Progress	-	-	-	-
Total capital assets not depreciated	<u>921,541</u>	<u>-</u>	<u>-</u>	<u>921,541</u>
Capital asset depreciated:				
Buildings	4,767,382	-	-	4,767,382
Equipment	2,493,809	359,930	(148,497)	2,705,242
Infrastructure	11,617,130	590,263	-	12,207,393
Total capital assets, depreciated	<u>18,878,321</u>	<u>950,193</u>	<u>(148,497)</u>	<u>19,680,017</u>
Total capital assets	<u>19,799,862</u>			<u>20,601,558</u>
Less accumulated depreciation:				
Buildings	2,167,327	125,436	-	2,292,763
Equipment	1,768,007	129,051	(148,497)	1,748,561
Infrastructure	4,781,941	412,677	-	5,194,618
Total accumulated depreciation	<u>8,717,275</u>	<u>667,164</u>	<u>(148,497)</u>	<u>9,235,942</u>
Capital Assets, Net	<u>\$ 11,082,587</u>			<u>\$ 11,365,616</u>

Depreciation expense was charged to the following Governmental Activities:

General Government	\$ 170,231
Public Safety	304,464
Public Works	80,037
Culture and Recreation	28,619
Health and Welfare	83,813
	<u>\$ 667,164</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 6. Capital Assets (continued)

Business-type activities:	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not depreciated:				
Land and Water Rights	\$ 1,159,813	\$ -	\$ -	\$ 1,159,813
Construction In Progress	-	17,741	-	17,741
Total capital assets not depreciated	<u>1,159,813</u>	<u>17,741</u>	<u>-</u>	<u>1,177,554</u>
Capital asset depreciated:				
Distribution System	14,636,367	97,860	-	14,734,227
Equipment	396,114	210,051	(4,797)	601,368
Land Improvements	14,128,626	974,173	-	15,102,799
Total capital assets, depreciated	<u>29,161,107</u>	<u>1,282,084</u>	<u>(4,797)</u>	<u>30,438,394</u>
Total capital assets	<u>30,320,920</u>			<u>31,615,948</u>
Less accumulated depreciation:				
Distribution System	5,326,367	378,284	-	5,704,651
Equipment	257,957	32,081	(4,797)	285,241
Land Improvements	4,630,778	499,648	-	5,130,426
Total accumulated depreciation	<u>10,215,102</u>	<u>910,013</u>	<u>(4,797)</u>	<u>11,120,318</u>
Capital Assets, Net	<u>\$ 20,105,818</u>			<u>\$ 20,495,630</u>

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2019 the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Governmental Funds					
NMFA-Civic Center	\$ 304,458	\$ -	\$ (304,458)	\$ -	\$ -
NMFA - Fire Pumper	476,730	-	(29,543)	447,187	30,040
NMFA Drinking Water	140,962	-	(7,254)	133,708	7,272
NMFA Civic Center	-	1,325,000	(55,000)	1,270,000	55,000
Capital Lease Agreements	54,129	466,938	(48,111)	472,956	97,928
Total Debt and Capital Leases	<u>976,279</u>	<u>1,791,938</u>	<u>(444,366)</u>	<u>2,323,851</u>	<u>190,240</u>
Compensated Absences	61,889	56,131	(55,999)	62,021	55,999
Total Long Term Debt	<u>\$ 1,038,168</u>	<u>\$ 1,848,069</u>	<u>\$ (500,365)</u>	<u>\$ 2,385,872</u>	<u>\$ 246,239</u>

New Mexico Finance Authority Loans

On July 27, 2018 the City obtained a loan from the New Mexico Finance Authority in the amount of \$1,325,000 and has an average coupon 2.84% with payments due on March 1 and matures on March 1, 2034. Revenues pledged to service this loan are from the .5% of Municipal GRT received monthly from the state of New Mexico pursuant to Section 7-1-6.4 NMSA and governmental Unit ordinance No. O-1997-5.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (continued)

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the purchase of a new fire truck for the City. The loan was finalized February 1, 2017 with the City borrowing \$503,779. The loan bears an average interest rate of 1.24%. The state distributes a portion of the State Fire Protection Fund to municipalities for fire department operation, construction, maintenance and equipment. The payments of this loan are made through an intercept agreement providing for state fire protection revenues to the City are redirected to the NMFA pursuant to Section 59A-53-7, NMSA and city Resolution No. 16-17-21 adopted December 28, 2016.

The City entered into a loan grant agreement with the New Mexico Finance Authority to borrow funds for the purpose of making improvements to the City's water infrastructure. The loan was finalized on June 26, 2013 where the city received a grant in the amount of \$459,750 and a loan in the amount of \$153,250. The loan bears an average interest rate of .25%. The loan is secured by .215% municipal infrastructure GRT. The loan was authorized by resolution No. 12-13-35 adopted June 12, 2013.

The NMFA loans outstanding as of June 30, 2019 are as follows:

Description	Date of Issue	Maturity Date	Interest rate	Issue Amount	Balance June 30, 2019
NMFA Civic Center (PPRF-4737)	7/27/2018	5/1/2034	2.84%	\$ 1,325,000	\$ 1,270,000
NMFA Loan - Fire Pumper (Moriarty 9)	5/1/2017	5/1/2032	1.24%	503,779	447,187
NMFA Drinking Water (Moriarty 8)	5/1/2017	5/1/2035	0.25%	153,250	133,708
					<u>\$ 1,850,895</u>

The annual requirements to amortize the above NMFA loans as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 92,312	\$ 41,827	\$ 134,139
2021	97,900	40,301	138,201
2022	113,555	38,511	152,066
2023	119,270	38,302	157,572
2024	120,059	33,826	153,885
2025-2029	644,516	125,073	769,589
2030-2034	640,579	48,997	689,576
2035-3037	22,704	114	22,818
	<u>\$ 1,850,895</u>	<u>\$ 366,951</u>	<u>\$ 2,217,846</u>

Capital Lease Agreements:

On September 22, 2019 the City entered into a capital lease agreement to purchase four Dodge Charger police cars which are held as collateral to secure the debt. The original principal amount for this capital lease agreement was \$119,052 and the annual interest rate is 9.44%. The contract requires a principal and interest payment once a year on July 1 in the amount of \$30,953. This loan will be paid in full on July 1, 2020.

On November 16, 2018 the City entered into a capital lease agreement to purchase a type one ambulance which is held as collateral to secure the debt. The original principal amount for this capital lease agreement was \$184,835 and the annual interest rate is 4.89%. The contract required a principal and interest payment once a year on March 15 in the amount of \$31,045. This loan will be paid in full on March 15, 2025.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (continued)

On July 20, 2018 the City entered into a capital lease agreement to purchase two Chevrolet Tahoes which are held as collateral to secure the debt. The original principal amount for this capital lease agreement was \$86,428 and the annual interest is 9.42%. The contract requires a principal and interest payment once a year on July 1 in the amount of \$22,460. This loan will be paid in full on July 1, 2023.

On July 18, 2018 the City entered into a capital lease agreement to purchase six Dodge Charger police cars which are held as collateral to secure the debt. The original principal amount for this capital lease agreement was \$128,887 and the annual interest rate is 9.35%. The contract requires a principal and interest payment once a year on July 1 in the amount of \$33,436. This loan will be paid in full on July 1, 2023.

On July 20, 2018 the City entered into a capital lease agreement to purchase two Chevrolet Silverado trucks which are held as collateral to secure the debt. The original principal amount for this capital lease agreement was \$66,788 and the annual interest rate is 9.42%. The contract requires a principal and interest payment once a year on July 1 in the amount of \$17,357. This loan will be paid in full on July 1, 2023.

The capital leases outstanding as of June 30, 2019 are as follows:

Description	Date of Issue	Maturity Date	Interest rate	Issue Amount	Balance June 30, 2019	Due Within One Year
First Government Lease Co.	7/1/2015	7/1/2020	9.44%	119,052	\$ 54,128	\$ 25,845
KS State Bank	11/16/2019	3/15/2025	4.89%	184,823	158,111	23,307
First Government Lease Co.	7/20/2018	7/1/2023	9.42%	86,428	86,428	14,322
First Government Lease Co.	7/18/2018	7/1/2023	9.35%	128887	107,500	23,387
First Government Lease Co.	7/20/2018	7/1/2023	9.42%	66788	66,788	11,067
					<u>\$ 472,955</u>	<u>\$ 97,928</u>

The annual requirements to amortize the above capital lease agreements as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 97,928	\$ 37,323	\$ 135,251
2021	106,085	29,167	135,252
2022	84,004	20,294	104,298
2023	90,735	13,562	104,297
2024	64,606	6,256	70,862
2025	29,598	1,448	31,046
	<u>\$ 472,956</u>	<u>\$ 108,050</u>	<u>\$ 581,006</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities

Bonds and notes payables for the Business-Type Activities as of June 30, 2019 are comprised of the following:

During the year ended June 30, 2019 the following changes occurred in the long term debt reported in Business-Type Activities:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
USDA Water Improvement Bonds	\$ 830,000	-	\$ (20,000)	\$ 810,000	\$ 20,000
USDA Wastewater Improvement Bonds	1,639,000	-	(32,600)	1,606,400	33,500
NMFA Water Loan	117,521	-	(15,937)	101,584	16,198
Total debt	<u>\$ 2,469,000</u>	<u>-</u>	<u>\$ (52,600)</u>	<u>\$ 2,416,400</u>	<u>\$ 53,500</u>
Compensated Absences	11,507	6,545	(4,923)	13,129	8,206
Total Long Term Debt	<u>\$ 2,480,507</u>	<u>\$ 6,545</u>	<u>\$ (57,523)</u>	<u>\$ 2,429,529</u>	<u>\$ 61,706</u>

The USDA Water Improvement revenue bonds were issued on September 5, 1999 in the amount of \$1,100,000 to make improvements to the City's water utility. The bonds have an interest rate of 4.75% and interest and principal payments are due every September 5. These bonds will be fully matured on September 5, 2039. The bonds are secured by the revenues of the Water Fund. The bonds are collectable solely out of the revenues derived from the operation of the City's Water System. The bonds were authorized by resolution No. 0-1999-09.

The USDA wastewater improvement revenue bonds were issued on March 10, 2010 in the amount of \$1,870,000 to make improvements to the City's wastewater system. The bonds have an interest rate of 2.75%. Interest and principal payments are due every March 19th and these bonds will fully mature on March 19, 2050 and may be redeemed in whole or part after January 1, 2020. These bonds are secured and payable solely out of the net revenues derived from the operations of the City's waste water system. The bonds were authorized by resolution No. O-2009-11.

On October 21, 2005 the City borrowed \$193,706 from the NMFA to make improvements to construct a water storage tank and tower in the City. The debt issuance has an interest rate of 1.63%. Interest and payments are due every November 1st and May 1st, principal payments are due every May 1st. This loan is secured and payable from the net revenues from the City's water system. The Loan carries a loan reserve deposit of \$18,044. This loan was authorized per City resolution No. 05-06-06.

The bonds and notes payable in Business-Type Activities as of June 30, 2019 are as follows:

Description	Date of Issue	Maturity Date	Interest rate	Issue Amount	Balance June 30, 2019
USDA Rual Development Revenue Bonds	5-Sep-99	5-Sep-39	4.75%	1,100,000	\$ 810,000
USDA Waste Water System Bonds	10-Mar-10	19-Mar-50	2.75%	1,870,000	1,606,400
Water Storage Loan (NMFA 3)	21-Oct-05	1-May-25	1.63%	298,044	101,584
					<u>\$ 2,517,984</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the above bonds and note payable in Business-Type Activities as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 69,698	\$ 85,059	\$ 154,757
2021	80,873	82,886	163,759
2022	82,060	80,699	162,759
2023	83,362	77,398	160,760
2024	84,679	75,082	159,761
2025-2029	390,212	332,349	722,561
2030-2034	441,900	258,600	700,500
2035-3039	535,600	169,900	705,500
2040-2044	324,300	85,200	409,500
2045-2049	348,400	40,100	388,500
2050	76,900	800	77,700
	<u>\$ 2,517,984</u>	<u>\$ 1,288,073</u>	<u>\$ 3,806,057</u>

Compensated Absences - Employees of the City are able to accrue a limited amount of vacation. During fiscal year June 30, 2019, compensated absences for general government increased by \$132 and for Business-Type Activities increased by \$1,622. Accrued compensated absences have historically been liquidated through the general fund.

NOTE 8. 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, 2018, 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.

The City currently reports all of its risk management activities in its General Fund. The General Fund pays the worker's compensation claims and premiums, which are then reimbursed by the City's other Funds.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

The Public Employees Retirement Fund (PERA 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 Officer, 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 PERA 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/>.

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf.

Contributions

The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2018.pdf.

The PERA coverage options that apply to the City are: Municipal General, Municipal Police, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$155,291 for the year ended June 30, 2019.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Contributions. See PERA's comprehensive annual financial report for Contributions Provided descriptions

PERA Contribution Rates and Pension Factors as of July 1, 2018						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per		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						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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%

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2019.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2019 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2019, the City reported a liability of \$1,187,806 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .0745 percent, which was slightly changed from its proportion measured as of June 30, 2018.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal General Pension expense of \$102,177. At June 30, 2019, the City reported PERA Fund Division Municipal 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	\$ 34,330	\$ 31,186
Changes of assumptions	107,691	6,829
Net difference between projected and actual earnings on pension plan investments	88,094	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	23,513	15,784
City's contributions subsequent to the measurement date	63,233	-
Total	<u>\$ 316,861</u>	<u>\$ 53,799</u>

\$63,233 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 127,018
2021	49,686
2022	18,636
2023	4,489
Thereafter	-
Total	<u>\$ 199,829</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Division Municipal Police, at June 30, 2019, the City reported a liability of \$1,411,005 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .2068 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Police pension expense of \$122,114. At June 30, 2019, the City reported PERA Fund Division Municipal 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	\$ 69,076	\$ 139,867
Changes of assumptions	160,998	8,626
Net difference between projected and actual earnings on pension plan investments	97,097	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	124,248	5,822
City's contributions subsequent to the measurement date	76,117	-
Total	<u>\$ 527,536</u>	<u>\$ 154,315</u>

\$76,117 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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	Amount
2020	\$ 167,964
2021	64,459
2022	59,340
2023	5,341
Thereafter	-
Total	<u>\$ 297,104</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Division Municipal Fire, at June 30, 2019, the City reported a liability of \$379,557 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .0593 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal Fire pension expense of \$24,921. At June 30, 2018, the City reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,099	\$ 27,681
Changes of assumptions	21,921	1,386
Net difference between projected and actual earnings on pension plan investments	13,310	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	25,690	-
City's contributions subsequent to the measurement date	15,941	-
Total	<u>\$ 82,961</u>	<u>\$ 29,067</u>

\$15,941 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 24,044
2021	5,796
2022	7,399
2023	714
Thereafter	-
Total	<u>\$ 37,953</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Actuarial Assumptions: The total pension liability at June 30, 2019 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed Market Value
Retirement	Changes to current assumed rates of
Disability	Lower rates for State police, Muni Male and
Remaining Amortization Period	30 Years
Administrative Expenses	.5% of Payroll
Actuarial assumptions:	Fair value
Investment rate of return	7.25% Static
Payroll growth	3.00% Static
Projected salary increases	3.25%-13.5%
Real investment Return	4.75% above inflation.
Mortality assumption	RPH-2014 Blue Collar Mortality

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.48%
Risk Reduction	21.5%	2.37%
Credit Oriented	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.25% assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 1,830,329	\$ 1,187,806	\$ 656,658
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 2,169,547	\$ 1,411,005	\$ 792,614
<u>PERA Fund Division Municipal Fire</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 506,680	\$ 379,557	\$ 275,417

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at:

<http://www.pera.state.nm.us/publications.html>.

Payables to pension plan: As of June 30, 2019, the City had no outstanding amount of contributions to the pension plan.

Changes of Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2018.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202018.pdf).

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report_FINAL.pdf.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Contributions

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the city were \$25,951 for the year ending June 30, 2019.

At June 30, 2019, the City reported a liability of \$1,493,225 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the City's proportion was 0.03434 percent.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)

For the year ended June 30, 2019, the County recognized OPEB expense of \$2,553. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 88,408
Changes of assumptions	-	278,778
Net difference between projected and actual earnings on OPEB plan investments	-	18,635
Changes in Porportion	240,743	
City's contributions subsequent to the measurement date	38,927	-
Total	<u>\$ 279,670</u>	<u>\$ 385,821</u>

Deferred outflows of resources totaling \$38,927 represent the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	\$ (47,066)
2020	(47,066)
2021	(47,066)
2022	(24,740)
Thereafter	20,660
Total	<u>\$ (145,278)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB
Projected payroll increase	3.50%
Investment rate of return	7.25 net of OPEB plan expense and margin for adverse deviation including inflation
Health care cost trend	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5%

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized are as follows:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. core fixed income	20.0%	4.10%
US Equity-Large Cap	20.0%	9.10%
Non US Emerging	15.0%	12.20%
NON US Developed	12.0%	9.80%
Private Equity	10.0%	13.80%
Credit and Structured	21.5%	1.79%
Real Estate	5.0%	6.90%
Absolute Return	5.0%	6.10%
Real Assets	3.0%	9.10%
Total	100%	

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, thus, 4.08% is the blended discount rate.

<u>RHC Fund Division Municipal Government</u>	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
City's proportionate share of the net OPEB liability	\$ 1,807,154	\$ 1,493,225	\$ 1,245,779

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 11. 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 12. Leases

Future lease obligations at June 30, 2019 were:

<u>Year</u>	<u>Amount</u>
2020	\$ 3,204
2021	3,204
2022	3,204
2023	801
2024	-
Total	<u>\$ 10,413</u>

NOTE 13. Concentrations

The City depends on financial resources flowing from, or associated with, property taxes, gross receipts taxes, the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations; changes in gross receipts tax rates, collections, tourism, and property values.

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 8, 2019, which is the date on which the financial statements were available to be issued.

NOTE 15. Restricted Net Position

The Government Wide Statement of Net Position reports \$2,065,899 of restricted amounts in governmental activities, all of which is restricted by enabling legislation.

NOTE 16. GASB 77 Disclosures (Tax Abatements)

Management of the City is not aware of any tax abatement agreements that existed as of June 30, 2019.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 17. Joint Power Agreements

Operation of the 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).
Purpose:	To operate the regional solid waste system.
Responsible Party:	Estancia Valley Solid Waste Authority (EVSWA)
Period:	Started August 2, 1983 and has no expiration date.
Project Costs:	Undeterminable
Audit Responsibility:	Estancia Valley Solid Waste Authority

911 Services

Participants:	City of Moriarty Torrance County
Purpose:	To form the Torrance County Emergency Communication 911 District.
Responsible Party:	The Torrance County E911 District
Period:	Renewed each fiscal year.
Project Costs:	Undeterminable
Audit Responsibility:	The Torrance County E911 District

Wildland Fire Protection and Suppression

Participants:	City of Moriarty Energy, Mineral and Nature Resource Department, Forestry Division (EMNRD)
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)
Responsible Party:	The City and EMNRD
Period:	Runs five years, may be terminated at anytime.
Project Costs:	Undeterminable
City's Contribution:	Make available four acres of City property to be used for County Collection Center. Provide funding as available from the City Environmental gross receipt taxes fund to support operations and maintenance of the collection center. Support De Baca County in implementing a county wide solid waste fee to generate revenues for operations and maintenance of the collection center.
Audit Responsibility:	EMNRD

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2019

NOTE 17. Joint Power Agreements (continued)

EMWT Regional Water

Participants:	The City of Moriarty, the Town of Estancia, the Village of Willard, and Torrance County
Purpose:	A 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.
Responsible Party:	EMWT Regional Water Association
Period:	Renews annually every August 11
Project Costs:	Undeterminable
Audit Responsibility:	EMWT Regional Water Association

Roads and Street Repair and Maintenance

Participants:	The City of Moriarty and Torrance County
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.
Responsible Party:	Each Party maintains own records
Description:	Streets and road repairs within City boundaries
Period:	Undetermined
Project Costs:	Undeterminable
Audit Responsibility:	Each Party maintains own records

NOTE 18. Related party

The City of Moriarty paid \$39,225.14 for the year ended June 30, 2019 for supplies to Hart's Home Center which is owned by the Mayor.

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REQUIRED SUPPLEMENTAY INFORMATION

**Schedule of the City's Proportionate Share of the Net Pension Liability PERA
Fund – Municipal General Division
Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years***

MUNICIPAL GENERAL FUND	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0722%	0.0722%	0.0750%	0.0751%	0.0712%
City's proportionate share of the net pension liability (asset)	\$ 1,187,806	\$ 992,089	\$ 1,198,247	\$ 765,710	\$ 555,436
City's covered-employee payroll	\$ 656,233	\$ 655,012	\$ 634,185	\$ 645,067	\$ 591,436
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	181.00%	151.46%	188.94%	118.70%	93.91%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Independent Auditors' Report

**Schedule of the City's Proportionate Share of the Net Pension Liability PERA
Fund – Municipal Police
Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years***

MUNICIPAL POLICE	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.2068%	0.1979%	0.1791%	0.1614%	0.1840%
City's proportionate share of the net pension liability (asset)	\$ 1,411,005	\$ 1,043,907	\$ 1,321,454	\$ 776,102	\$ 599,820
City's covered-employee payroll	\$ 400,522	\$ 399,142	\$ 385,862	\$ 237,294	\$ 207,261
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	352.29%	261.54%	342.47%	327.06%	289.40%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. Difference related to 2015 catch-up contributions.

See Independent Auditors' Report

**Schedule of the City's Proportionate Share of the Net Pension Liability PERA
Fund – Municipal Fire
Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years***

MUNICIPAL FIRE	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0593%	0.0562%	0.0538%	0.0479%	0.0479%
City's proportionate share of the net pension liability (asset)	\$ 379,557	\$ 321,545	\$ 358,900	\$ 256,511	\$ 199,934
City's covered-employee payroll	\$ 135,011	\$ 133,863	\$ 129,407	\$ 119,139	\$ 107,762
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	281.13%	240.20%	277.34%	215.30%	185.53%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Moriarty
Schedules of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA - Municipal General Division
Last 10 Years*

MUNICIPAL GENERAL FUND	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 63,233	\$ 62,554	\$ 60,565	\$ 61,604	\$ 59,448
Contributions in relation to the contractually required contribution	\$ 63,233	\$ 62,554	\$ 60,565	\$ 61,604	\$ 59,448
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. Difference related to 2015 catch-up contributions.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Moriarty
Schedules of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA - Municipal Police
Last 10 Years*

MUNICIPAL POLICE	2019	2018	2017	2016	2015
Contractually required contribution	\$ 76,117	\$ 75,438	\$ 72,928	\$ 67,323	\$ 59,848
Contributions in relation to the contractually required contribution	\$ 76,117	\$ 75,438	\$ 72,928	\$ 67,323	\$ 59,848
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Moriarty
Schedules of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA - Municipal Fire
Last 10 Years*

MUNICIPAL FIRE	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 15,941	\$ 15,260	\$ 14,752	\$ 13,582	\$ 12,285
Contributions in relation to the contractually required contribution	\$ 15,941	\$ 15,260	\$ 14,752	\$ 13,582	\$ 12,285
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. Difference related to 2015 catch-up contributions.

See Independent Auditors' Report

City of Moriarty

**Schedule of the City's Proportionate Share of the Net OPEB Liability
Retiree Health Care Last 10 Fiscal Years***

CITY IN SUMMATION	2019	2018
City's proportion of the net OPEB liability (asset)	0.0343	0.0122
City's proportionate share of the net OPEB liability (asset)	\$ 1,493,224	\$ 1,318,717
City's covered-employee payroll	\$ 1,295,635	\$ 1,325,750
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	115.25%	99.47%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Moriarty
Schedules of Contributions
Retirement Healthcare
Last 10 Fiscal Years*

Schedule IV

CITY IN SUMMATION	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 25,913	\$ 26,515
Contributions in relation to the contractually required contribution	\$ 25,951	\$ 26,515

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. Difference related to 2016 catch-up contributions.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Moriarty
Notes to the Schedule of Required Supplementary Information
For the Year Ended June 30, 2019

Changes of benefit terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf.

There were no major changes to the benefit terms which impact the measurements provided in the Retiree Health Care Fund. The 2018 report can be found at:

http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/RHCA_Final_Employer_Allocation_Schedules_6.30.18.pdf

Changes of assumptions

The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2018 pension valuation. Assumptions including the following were updated: Per capita costs, future trend for health costs and medical election assumptions. The actuarial assumptions are contained in section 3 of the RHCA GASB 74 Actuarial Report.

See Independent Auditors' Report

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Moriarty
Nonmajor Fund Description
June 30, 2019

Special Revenue Funds:

Corrections – To account for fees charges for fines and penalties that are restricted to pay for the housing of inmates in the county Jail. Authority NMSA 1978 59A-53-1.

Emergency Medical Services – To account for state and county proceeds provided for operations of the City's emergency medical services. Authority – NMSA 24-10A.

Fire Protection accounts for State revenues received pursuant to the Fire Protection Fund Law, NMSA 59A-53-1. Expenditures from this fund may be used for the purchase, construction, operation and maintenance of fire stations; fire apparatus and equipment; the payment of insurance premiums on the above; and for insurance premiums for injuries or death of firefighters.

Law Enforcement – To account for funds received from the state for law enforcement purposes. The fund was created by the authority of state grant provisions NMSA 29-13-3.

Lodgers Tax – To account for a lodger's tax which is to be used for cultural and recreational purposes. Authority – NMSA 3- 38-14.

Industrial park accounts for monies earned for the Industrial park. Funds are restricted for the use on the Industrial Park of the City. No minimum balance required according to legislation. Fund is authorized by the City Council.

Capital Project Fund:

The Capital Project Fund accounts for various sources of revenue and expenditures that are restricted for the use for Capital Improvements related to CDBG, the Veterans Memorial, road improvements and airport improvements. Authorization is by the City Council

STATE OF NEW MEXICO
City of Moriarty
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Corrections	EMS	Fire Protection	Law Enforcement
Assets				
Cash and cash equivalents	\$ -	\$ 39	29,125	\$ -
Restricted cash	-	-	53,786	-
Other receivables	-	-	-	-
Total assets	\$ -	\$ 39	\$ 82,911	\$ -
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	3,337	\$ -
Total liabilities	-	-	3,337	-
Fund balance				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	39	79,574	-
Culture and recreation	-	-	-	-
Capital projects	-	-	-	-
Total fund balance	-	39	79,574	-
Total liabilities and fund balance	\$ -	\$ 39	\$ 82,911	\$ -

<u>Special Revenue</u>		<u>Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>
<u>Lodger's Tax</u>	<u>Industrial Park</u>		
\$ 215,173	\$ 241,891	\$ 1,345	\$ 487,573
-	-	-	53,786
18,092	-	-	18,092
<u>\$ 233,265</u>	<u>\$ 241,891</u>	<u>\$ 1,345</u>	<u>559,451</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,337</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,337</u>
-	241,891	-	241,891
-	-	-	79,613
233,265	-	-	233,265
-	-	1,345	1,345
<u>233,265</u>	<u>241,891</u>	<u>1,345</u>	<u>556,114</u>
<u>\$ 233,265</u>	<u>\$ 241,891</u>	<u>\$ 1,345</u>	<u>\$ 559,451</u>

STATE OF NEW MEXICO
City of Moriarty
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue</u>			
	<u>Corrections</u>	<u>EMS</u>	<u>Fire Protection</u>	<u>Law Enforcement</u>
Revenues				
Lodger's taxes	\$ -	\$ -		\$ -
State operating grants	-	9,944	279,354	26,000
Charges for services	-	-	-	-
Interest income	-	-	1,729	-
Miscellaneous income	1,820	-	-	-
Total revenue	<u>1,820</u>	<u>9,944</u>	<u>281,083</u>	<u>26,000</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	1,820	9,905	241,426	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	21,387
Interest	-	-	-	4,613
Total expenditures	<u>1,820</u>	<u>9,905</u>	<u>241,426</u>	<u>26,000</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>39</u>	<u>39,657</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(1,820)	-	(37,945)	-
Total other financing sources (uses)	<u>(1,820)</u>	<u>-</u>	<u>(37,945)</u>	<u>-</u>
Net change in fund balance	(1,820)	39	1,712	-
Fund balance - beginning of year	1,820	-	77,862	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 79,574</u>	<u>\$ -</u>

Special Revenue			
Lodger's Tax	Industrial Park	Capital Projects Fund	Total Other Governmental Funds
\$ 186,137	\$ -	\$ -	\$ 186,137
-	-	-	315,298
-	48,908	-	48,908
-	-	72	1,801
13,570	-	-	15,390
<u>199,707</u>	<u>48,908</u>	<u>72</u>	<u>567,534</u>
-	43,144	-	43,144
-	-	-	253,151
91,137	-	-	91,137
77,827	-	-	77,827
-	-	-	21,387
-	-	-	4,613
<u>168,964</u>	<u>43,144</u>	<u>-</u>	<u>491,259</u>
<u>30,743</u>	<u>5,764</u>	<u>72</u>	<u>76,275</u>
136,295	-	-	136,295
(105,768)	-	-	(145,533)
<u>30,527</u>	<u>-</u>	<u>-</u>	<u>(9,238)</u>
61,270	5,764	72	67,037
171,995	236,127	1,273	489,077
<u>\$ 233,265</u>	<u>\$ 241,891</u>	<u>\$ 1,345</u>	<u>\$ 556,114</u>

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Moriarty
Schedule of Deposits and Investments
June 30, 2019

Schedule V

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo					
Primary	Checking	1,639,721	\$ -	\$ (216,812)	\$ 1,422,909
Water Bond	Savings	68,037	-	-	68,037
Water and Sewer Trust	Savings	98,193	-	(2,241)	95,952
Sewer Revenue Bond	Savings	36,851	-	-	36,851
Water Bond Reserve	Savings	67,124	-	-	67,124
Sewer Bond Reserve	Savings	65,036	-	-	65,036
Sewer and Water Interest Reserve	Savings	64,487	-	-	64,487
Court Cash	Checking	5,628	-	-	5,628
Total Wells Fargo		<u>2,045,077</u>	<u>-</u>	<u>(219,053)</u>	<u>1,826,024</u>
US Bank					
Investment Account	Savings	682,519	-	-	682,519
Total US Bank Cash		<u>682,519</u>	<u>-</u>	<u>-</u>	<u>682,519</u>
NMFA Cash					
	Debt Service / Reserve Funds				
NMFA		1,195,362	-	-	1,195,362
Total NMFA Cash		<u>1,195,362</u>	<u>-</u>	<u>-</u>	<u>1,195,362</u>
Total		<u>\$ 3,922,958</u>	<u>\$ -</u>	<u>\$ (219,053)</u>	<u>\$ 3,703,905</u>
Petty Cash					250
Total Cash and Cash Equivalents					<u>3,704,155</u>
				Cash and cash equivalents - Exhibit A-1	2,204,264
				Restricted cash and cash equivalents - Exhibit A-1	1,499,891
				Reconciled deposits and investments	<u>\$ 3,704,155</u>

See Independent Auditors' Report

STATE OF NEW MEXICO

Schedule VI

City of Moriarty

Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2019

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP / Description</u>	<u>Fair Market Value</u>
Wells Fargo	FNMA FNMS	5/1/31	3138WG3V4	\$ 367,542
Wells Fargo	FNMA FNMS	4/1/47	3140FE5Q3	\$ 140,957
Wells Fargo	FNMA FNMS	5/1/31	31410LS86	\$ 94,505
Wells Fargo	FNMA FNMS	9/1/32	31418AJK5	\$ 472,569
US Bank	Letter of Credit	12/2/19	NA	\$ 1,000,000
Total				<u>\$ 2,075,573</u>

See Independent Auditors' Report

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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

To Brian Colón, ESQ
New Mexico State Auditor
And
The City Council of Moriarty
Moriarty, New Mexico

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, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund of the City of Moriarty, New Mexico (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 6, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items FS 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico

November 6, 2019

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FEDERAL FINANCIAL ASSISTANCE



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To Brian Colón, ESQ. New Mexico State Auditor

And

The City Council of Moriarty

Moriarty, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Moriarty, New Mexico's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico

November 6, **2019**

STATE OF NEW MEXICO
City of Moriarty
Schedule of Expenditures of Federal Awards
June 30, 2019

Schedule VII

<u>Federal grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Federal Expenditures</u>	<u>Fund Provided to Sub Recipients</u>	<u>Noncash Assistance</u>
FAA -Moriarty Municipal Airport Project	20.106	Yes	\$ 811,001	\$ -	\$ -

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Moriarty
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

NOTE 1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the financial statements.

The City expended federal awards related to loans or loan guarantees in the amount of \$0.

The City did not elect to use the allowed 10% indirect cost rate.

The City has no federally funded insurance.

NOTE 2. General

The following is a reconciliation of the total Federal Awards of the City for the year ended June 30, 2019:

City of Moriarty's federal expenditures of federal awards on SEFA	\$ 811,001
Expenditures funded by other sources	<u>7,100,432</u>
Total expenditures	<u><u>\$ 7,911,433</u></u>

STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor report issued:	Unmodified
Internal control over financial reporting:	
Material weakness Identified	Yes
Significant deficiencies identified	No
Noncompliance material to the financial statements identified	No

Federal Awards:

Internal control over major programs:

Material weakness identified?	No
Significant deficiency identified?	No
Any audit finding disclosed that are required to be reported in accordance with 2 CRF ?	No

Identification of major programs and type of auditors report issues of compliance for major federal programs:

CFDA Number	Name of Federal Program	Type of Auditors Report Issued on Compliance for Major Federal Programs
20.106	FAA -Moriarty Municipal Airport Project	Unmodified
Dollar threshold used to distinguish between a Type A and Type B Program		\$750,000
Auditee qualified as a low-risk auditee?		No

STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION II – PRIOR YEAR AUDIT FINDINGS

FS 2018-001: Internal Controls – Significant Deficiency – Resolved

FS 2018-002 Financial Statement Adjustments – Material Weakness – Repeated/Modified

FS 2018-003 Capital Assets – Material Weakness – Resolved

STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION III - AUDIT FINDINGS

FS 2019-001 (2018-002) Financial Statement Adjustments – Material Weakness

Condition: The City is not reconciling their bank statements and loan activity held at the New Mexico Finance Authority (NMFA). This resulted in credit adjustments to loan proceeds of \$1,325,000, GRT intercept revenues of \$64,345 and interest revenues of \$26,002, as well as debits adjustments to lodger's tax revenues of \$136,295, loan issuance costs of \$50,394, interest expense of \$36,670, principal expense of \$416,327 and capital outlay of \$62,776. Management did not make adequate progress to the removal of this finding.

Criteria: The Codification of Statements on Auditing Standards (AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Effect: When sufficient controls over account balances are not implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The City is not reconciling their New Mexico Finance Authority statements to the general ledger.

Auditors' Recommendation: We recommend that the City reconcile all cash, expenses, revenues and transfers of funds in accounts held at the New Mexico Finance Authority to the City's General Ledger.

Management Progress: Management has not made any progress in reconciling New Mexico Finance Authority statements to the general ledger in fiscal year 2019.

Management's Response: The City staff will obtain the proper training and reconcile all NMFA bank statements on a monthly basis.

Responsible Party: City Clerk

Timeline: February 2020



Auditee Corrective Action Plan

FS 2018-002 Financial Statement Adjustments – Material Weakness

Corrective Action Plan: The City staff will obtain the proper training and reconcile all NMFA bank statements on a monthly basis.

Responsible Person: City Clerk

Anticipated Completion Date: February 1, 2019

STATE OF NEW MEXICO
Exit Conference
Schedule of Findings and Responses
June 30, 2019

Exit Conference

An exit conference was held on November 6, 2019. In attendance were the following:

Ted Hart	Mayor
Sheila Larranaga-Murphy	City Clerk

Representing Southwest Accounting Solutions, LLC:

Robert Peixotto, CPA	Managing Member
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Auditor Prepared Financial Statements

Southwest Accounting Solutions, LLC assisted the City in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the City. The responsibility for the financial statements remains with the City.