

STATE OF NEW MEXICO
City of Moriarty
ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2018



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City of Moriarty
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City of Moriarty
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**STATE OF NEW MEXICO
City of Moriarty
Official Roster
June 30, 2018**

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

Honorable Wayne Johnson
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 funds of the City of Moriarty (the City), as of and for the year ended June 30, 2018, 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 audit 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, 2018, 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 68-75, 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 combining and individual non-major fund financial statements presented as Supplementary Information 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.

The Supplementary Information and Supporting Schedules V and VI, is the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, Supporting Schedules V and VI, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 26, 2018 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 26, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Moriarty
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,639,616	\$ 1,251,631	\$ 2,891,247
Restricted cash	56,706	-	56,706
Receivables:			
Taxes receivable	280,596	-	280,596
Other receivables, net	67,437	9,496	76,933
Customer receivables, net	-	105,426	105,426
Total current assets	2,044,355	1,366,553	3,410,908
Noncurrent assets			
Capital assets	19,799,862	30,320,920	50,120,782
Less: Accumulated depreciation	(8,717,275)	(10,215,102)	(18,932,377)
Total noncurrent assets	11,082,587	20,105,818	31,188,405
Deferred outflows of resources			
Deferred outflows of resources: pension	633,340	42,760	676,100
Deferred outflows of resources: OPEB	46,636	3,242	49,878
Total deferred outflows	679,976	46,002	725,978
Total assets and deferred outflows of resources	\$ 13,806,918	\$ 21,518,373	\$ 35,325,291

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 56,844	\$ 47,588	\$ 104,432
Accrued salaries and benefits	70,007	7,599	77,606
Accrued interest	11,473	44,128	55,601
Loans payable	203,410	68,537	271,947
Compensated absences	6,881	11,507	18,388
Total current liabilities	348,615	179,359	527,974
Noncurrent liabilities			
Loans payable	772,869	2,517,984	3,290,853
Compensated absences	55,008	-	55,008
Customer deposits	-	114,624	114,624
Net Pension liability	2,204,301	153,240	2,357,541
Net OPEB liability	1,233,000	85,717	1,318,717
Total noncurrent liabilities	4,265,178	2,871,565	7,136,743
Total Liabilities	4,613,793	3,050,924	7,664,717
Deferred inflows of resources			
Deferred inflows of resources: pension	347,288	30,650	377,938
Deferred inflows of resources: OPEB	280,628	19,509	300,137
Total deferred inflows of resources	627,916	50,159	678,075
Net Position			
Net investment in capital assets	11,082,587	17,519,297	28,601,884
Restricted for:			
Debt Service	260,841	-	260,841
Capital projects	1,273	-	1,273
Special Revenue	558,976	-	558,976
Unrestricted	(3,338,468)	897,993	(2,440,475)
Total net position	8,565,209	18,417,290	26,982,499
Total liabilities, deferred inflows of resources, and net position	\$ 13,806,918	\$ 21,518,373	\$ 35,325,291

STATE OF NEW MEXICO
City of Moriarty
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions and Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 937,391	\$ 44,404	\$ 154,133	\$ -
Public safety	1,887,387	-	296,912	-
Public works	318,475	45,708	-	591,058
Culture and recreation	139,104	-	-	-
Health and welfare	388,821	-	-	-
Interest on long-term debt	38,943	-	-	-
Total Governmental Activities	3,710,121	90,112	451,045	591,058
Business-Type Activities				
Sewer	527,978	395,870	-	-
Solid waste	332,080	334,928	-	-
Water	511,515	404,679	-	-
Airport	613,044	376,239	6,834	-
Ambulance	60,828	74,494	-	-
Cemetery	3,909	7,700	-	-
Total Business-Type Activities	2,049,354	1,593,910	6,834	-
Total	\$ 5,759,475	\$ 1,684,022	\$ 457,879	\$ 591,058

General Revenues:

Taxes:

Property taxes levied for general purposes

Gross receipt taxes

Gas taxes

Franchise taxes

Lodgers taxes

Interest income

Miscellaneous income

Transfers

Extraordinary item (Note 20)

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Restatement (Note 17)

Net Position - restated

Net Position - ending

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Government Activities	Business- Type Activities	Total
\$ (738,854)	\$ -	\$ (738,854)
(1,590,475)	-	(1,590,475)
318,291	-	318,291
(139,104)	-	(139,104)
(388,821)	-	(388,821)
(38,943)	-	(38,943)
<u>(2,577,906)</u>	<u>-</u>	<u>(2,577,906)</u>
-	(132,108)	(132,108)
-	2,848	2,848
-	(106,836)	(106,836)
-	(229,971)	(229,971)
-	13,666	13,666
-	3,791	3,791
<u>-</u>	<u>(448,610)</u>	<u>(448,610)</u>
<u>(2,577,906)</u>	<u>(448,610)</u>	<u>(3,026,516)</u>
89,878	-	89,878
2,023,788	-	2,023,788
252,324	-	252,324
10,999	-	10,999
169,443	-	169,443
9,649	639	10,288
105,159	-	105,159
(309,713)	309,713	-
-	3,750,000	3,750,000
<u>2,351,527</u>	<u>4,060,352</u>	<u>6,411,879</u>
<u>(226,379)</u>	<u>3,611,742</u>	<u>3,385,363</u>
9,421,184	14,936,773	24,357,957
(629,596)	(131,225)	(760,821)
<u>8,791,588</u>	<u>14,805,548</u>	<u>23,597,136</u>
<u>\$ 8,565,209</u>	<u>\$ 18,417,290</u>	<u>\$ 26,982,499</u>

STATE OF NEW MEXICO
City of Moriarty
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>Industrial Park Special Revenue Fund</u>
Assets			
Cash and cash equivalents	\$ 928,707	\$ 27,310	236,127
Restricted cash	3,231	\$ 52,202	\$ -
Property taxes receivable	10,289	-	-
Gross receipt taxes receivable	270,307	-	-
Other receivables	4,829	-	-
Total assets	<u>\$ 1,217,363</u>	<u>\$ 79,512</u>	<u>\$ 236,127</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 49,688	\$ 1,650	\$ -
Accrued salaries and benefits	68,030	-	-
Total liabilities	<u>117,718</u>	<u>1,650</u>	<u>-</u>
Fund balance			
Spendable			
Restricted for:			
Public safety	3,231	77,862	-
Public works	-	-	236,127
Culture and recreation	-	-	-
Debt service expenditures	-	-	-
Capital projects	-	-	-
Minimum fund balance	198,980	-	-
Unassigned	897,434	-	-
Total fund balances	<u>1,099,645</u>	<u>77,862</u>	<u>236,127</u>
Total liabilities and fund balances	<u>\$ 1,217,363</u>	<u>\$ 79,512</u>	<u>\$ 236,127</u>

Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
\$ -	260,841	\$ 186,631	\$ 1,639,616
1,273	\$ -	-	56,706
-	-	-	10,289
-	-	-	270,307
-	-	62,608	67,437
<u>\$ 1,273</u>	<u>\$ 260,841</u>	<u>\$ 249,239</u>	<u>\$ 2,044,355</u>
\$ -	\$ -	\$ 5,506	\$ 56,844
-	-	1,977	70,007
-	-	7,483	126,851
-	-	1,820	82,913
-	-	67,941	304,068
-	-	171,995	171,995
-	260,841	-	260,841
1,273	-	-	1,273
-	-	-	198,980
-	-	-	897,434
<u>1,273</u>	<u>260,841</u>	<u>241,756</u>	<u>1,917,504</u>
<u>\$ 1,273</u>	<u>\$ 260,841</u>	<u>\$ 249,239</u>	<u>\$ 2,044,355</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, 2018

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds **\$ 1,917,504**

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	19,799,862
Less: Accumulated depreciation	(8,717,275)

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

Accrued interest	(11,473)
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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	633,340
Deferred inflows-pension	(347,288)
Deferred outflows-OPEB	46,636
Deferred inflows-OPEB	(280,628)

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	(61,889)
Loans payable	(976,279)
Pension liability	(2,204,301)
OPEB liability	(1,233,000)

Total net position of governmental activities	\$ 8,565,209
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STATE OF NEW MEXICO
City of Moriarty
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Fire Protection Special Revenue Fund</u>	<u>Industrial Park Special Revenue Fund</u>
Revenues			
Property taxes	\$ 89,878	\$ -	\$ -
Gross receipt taxes	2,023,788	-	-
Gas tax	-	-	-
Franchise taxes	10,999	-	-
Lodgers' taxes	-	-	-
State operating grants	154,133	262,815	-
State capital grants	-	-	-
Charges for services	28,382	-	45,708
Licenses and fees	16,022	-	-
Interest income	681	5,053	-
Miscellaneous income	84,302	2,017	-
Total revenue	<u>2,408,185</u>	<u>269,885</u>	<u>45,708</u>
Expenditures			
Current:			
General government	736,438	-	-
Public safety	1,245,269	210,264	-
Public works	21,200	-	8,070
Culture and recreation	41,138	-	-
Health and welfare	305,468	-	-
Capital outlay	32,699	454,498	-
Debt service:			
Principal	5,553	-	-
Interest	-	-	-
Total expenditures	<u>2,387,765</u>	<u>664,762</u>	<u>8,070</u>
Excess (deficiency) of revenues over expenditures	<u>20,420</u>	<u>(394,877)</u>	<u>37,638</u>
Other financing sources (uses)			
Transfers in	76,191	-	-
Transfers out	(94,392)	(37,805)	-
Loan proceeds	-	-	-
Total other financing sources (uses)	<u>(18,201)</u>	<u>(37,805)</u>	<u>-</u>
Net change in fund balance	2,219	(432,682)	37,638
Fund balance - beginning of year	934,074	8,898	198,489
Restatement (Note 17)	163,352	501,646	-
Fund balance - beginning of year, restated	<u>1,097,426</u>	<u>510,544</u>	<u>198,489</u>
Fund balance - end of year	<u>\$ 1,099,645</u>	<u>\$ 77,862</u>	<u>\$ 236,127</u>

Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 89,878
-	-	-	2,023,788
-	-	252,324	252,324
-	-	-	10,999
-	-	169,443	169,443
-	-	34,097	451,045
591,058	-	-	591,058
-	-	-	74,090
-	-	-	16,022
-	3,915	-	9,649
-	-	18,840	105,159
<u>591,058</u>	<u>3,915</u>	<u>474,704</u>	<u>3,793,455</u>
-	-	-	736,438
-	-	27,247	1,482,780
7,203	2,652	211,077	250,202
-	-	68,146	109,284
-	-	-	305,468
373,099	-	-	860,296
-	167,176	18,062	190,791
-	37,043	7,338	44,381
<u>380,302</u>	<u>206,871</u>	<u>331,870</u>	<u>3,979,640</u>
<u>210,756</u>	<u>(202,956)</u>	<u>142,834</u>	<u>(186,185)</u>
111,453	224,593	8,860	421,097
(398,833)	(17,722)	(182,058)	(730,810)
61,403	-	-	61,403
<u>(225,977)</u>	<u>206,871</u>	<u>(173,198)</u>	<u>(248,310)</u>
(15,221)	3,915	(30,364)	(434,495)
16,494	256,926	252,030	1,666,911
-	-	20,090	685,088
<u>16,494</u>	<u>256,926</u>	<u>272,120</u>	<u>2,351,999</u>
<u>\$ 1,273</u>	<u>\$ 260,841</u>	<u>\$ 241,756</u>	<u>\$ 1,917,504</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, 2018**

Net Change in Fund Balance - Governmental Funds \$ (434,495)

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	860,296
Depreciation expense	(591,230)

Governmental funds report proceeds received from the sale of capital assets as revenues. However, in the statement of activities, revenues or expenses from these transactions are reported net of the asset cost minus accumulative depreciation.

Loss on disposal of capital asset	(9,625)
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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 expense:

Pension expense	(185,344)
OPEB expense	(2,386)

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	1,579
Change in accrued interest	5,438
Debt issuance	(61,403)
Principal payments on bonds and loans payable	190,791

Change in Net Position of Governmental Activities	\$ (226,379)
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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, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property taxes	75,220	75,220	84,560	\$ 9,340
Gross receipts	2,050,620	2,050,620	2,064,517	13,897
Gasoline and Motor vehicle	0	0	0	-
Franchise tax	12,500	12,500	10,999	(1,501)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	85,000	85,000	154,133	69,133
State capital grants	-	-	-	-
Charges for services	12,200	24,200	28,382	4,182
Licenses and fees	17,000	17,000	16,020	(980)
Interest income (loss)	0	0	681	681
Miscellaneous	119,000	119,000	79,473	(39,527)
Total revenue	<u>2,371,540</u>	<u>2,383,540</u>	<u>2,438,765</u>	<u>55,225</u>
Expenditures				
Current				
General government	745,000	745,000	730,896	14,104
Public safety	1,212,000	1,212,000	1,198,392	13,608
Public works	25,000	25,000	21,200	3,800
Culture and recreation	42,000	42,000	41,138	862
Capital outlay	39,000	39,000	38,252	748
Health and Welfare	306,000	306,000	305,468	
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,369,000</u>	<u>2,369,000</u>	<u>2,335,346</u>	<u>33,122</u>
Excess (deficiency) of revenues over expenditures	<u>2,540</u>	<u>14,540</u>	<u>103,419</u>	<u>88,879</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(2,540)	(14,540)	(103,419)	
Transfers in	104,000	104,000	103,474	(526)
Transfers out	(125,000)	(125,000)	(121,673)	3,327
Total other financing sources (uses)	<u>(21,000)</u>	<u>(21,000)</u>	<u>(18,199)</u>	<u>2,801</u>
Net Change in fund balance	(18,460)	(6,460)	85,220	
Fund balance - beginning of year	798,565	798,565	934,074	
Restatement	-	-	163,352	
Fund balance - end of year	<u>\$ 780,105</u>	<u>\$ 792,105</u>	<u>\$ 1,012,206</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>85,220</u>	
Adjustments to revenue for receivables and restatements			(30,580)	
Adjustment to expenditures for accounts payable			(52,421)	
Net Change in fund balance (GAAP basis)			<u>\$ 2,219</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit C-2

City of Moriarty

Fire Protection

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
				Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	245,238	262,716	262,815	99
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	454,498	456,514	2,016
Total revenue	<u>245,238</u>	<u>717,214</u>	<u>719,329</u>	<u>2,115</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	254,136	688,307	210,264	478,043
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	454,498	(454,498)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>254,136</u>	<u>688,307</u>	<u>664,762</u>	<u>23,545</u>
Excess (deficiency) of revenues over expenditures	<u>(8,898)</u>	<u>28,907</u>	<u>54,567</u>	<u>25,660</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	8,898	(28,907)	-	28,907
Transfers in	-	25,000	-	(25,000)
Transfers out	-	(62,805)	(37,805.0)	25,000
Total other financing sources (uses)	<u>-</u>	<u>(37,805)</u>	<u>(37,805)</u>	<u>-</u>
Net Change in fund balance	(8,898)	(8,898)	16,762	
Fund balance - beginning of year	-	-	8,898	
Restatement	-	-	501,646	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,782</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>16,762</u>	
Adjustments to revenue for restatements			(449,444)	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ (432,682)</u>	

See Independent Auditors' Report and Notes to Financial Statements

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City of Moriarty

Industrial Park

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	45,708	45,708	45,708	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>45,708</u>	<u>45,708</u>	<u>45,708</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	13,500	13,500	8,070	5,430
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>13,500</u>	<u>13,500</u>	<u>8,070</u>	<u>5,430</u>
Excess (deficiency) of revenues over expenditures	<u>32,208</u>	<u>32,208</u>	<u>37,638</u>	<u>5,430</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(32,208)	(32,208)	(37,638)	(5,430)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	32,208	32,208	37,638	37,638
Fund balance - beginning of year	-	-	198,489	198,489
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,572</u>	<u>\$ 11,572</u>
Net change in fund balance (non-GAAP budgetary basis)			<u>37,638</u>	
Adjustments to revenue			-	
Adjustment to expenditures for accounts payable			-	
Net Change in fund balance (GAAP basis)			<u>\$ 37,638</u>	

STATE OF NEW MEXICO
City of Moriarty
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>
Assets			
Cash and cash equivalents	\$ 336,334	\$ 93,757	\$ 342,743
Accounts receivable, net	33,222	30,333	34,222
Total current assets	<u>369,556</u>	<u>124,090</u>	<u>376,965</u>
Noncurrent assets			
Capital assets	8,238,751	3,357	7,002,789
Less: Accumulated depreciation	(2,574,103)	(2,557)	(2,847,649)
Total noncurrent assets	<u>5,664,648</u>	<u>800</u>	<u>4,155,140</u>
Deferred outflows of resources			
Deferred outflows from Pensions	-	-	27,044
Deferred outflows from OPEB	-	-	1,994
Total deferred outflows	<u>-</u>	<u>-</u>	<u>29,038</u>
Total assets, and deferred outflows of resources	<u>\$ 6,034,204</u>	<u>\$ 124,890</u>	<u>\$ 4,561,143</u>
Liabilities, deferred inflows and net position			
Liabilities			
Accounts payable	11,760	25,315	6,481
Accrued salaries and benefits	2,310	-	2,800
Accrued interest	11,275	-	32,853
Loans payable	32,600	-	35,937
Compensated absences	4,488	-	5,465
Total current liabilities	<u>62,433</u>	<u>25,315</u>	<u>83,536</u>
Noncurrent liabilities			
Loans payable	1,606,400	-	911,584
Customer deposits	114,624	-	-
Net pension liability	-	-	94,302
Net OPEB liability	-	-	52,748
Total noncurrent liabilities	<u>1,721,024</u>	<u>-</u>	<u>1,058,634</u>
Total liabilities	<u>1,783,457</u>	<u>25,315</u>	<u>1,142,170</u>
Deferred inflows of resources			
Deferred inflows of resources related to pension	-	-	18,975
Deferred inflows from OPEB	-	-	12,005
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>30,980</u>
Net position			
Net investment in capital asset	4,025,648	800	3,207,619
Unrestricted	225,099	98,775	180,374
Total net position	<u>4,250,747</u>	<u>99,575</u>	<u>3,387,993</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,034,204</u>	<u>\$ 124,890</u>	<u>\$ 4,561,143</u>

<u>Airport</u>	<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
\$ 360,528	\$ 81,741	\$ 36,528	\$ 1,251,631
6,135	11,010	-	114,922
<u>366,663</u>	<u>92,751</u>	<u>36,528</u>	<u>1,366,553</u>
14,938,568	-	137,455	30,320,920
(4,695,737)	-	(95,056)	(10,215,102)
<u>10,242,831</u>	<u>-</u>	<u>42,399</u>	<u>20,105,818</u>
10,141	5,575	-	42,760
748	500	-	3,242
<u>10,889</u>	<u>6,075</u>	<u>-</u>	<u>46,002</u>
<u>\$ 10,620,383</u>	<u>\$ 98,826</u>	<u>\$ 78,927</u>	<u>\$ 21,518,373</u>
4,032	-	-	47,588
772	1,717	-	7,599
-	-	-	44,128
-	-	-	68,537
-	1,554	-	11,507
<u>4,804</u>	<u>3,271</u>	<u>-</u>	<u>179,359</u>
-	-	-	2,517,984
-	-	-	114,624
35,363	23,575	-	153,240
19,781	13,188	-	85,717
<u>55,144</u>	<u>36,763</u>	<u>-</u>	<u>2,871,565</u>
<u>59,948</u>	<u>40,034</u>	<u>-</u>	<u>3,050,924</u>
7,116	4,559	-	30,650
4,502	3,002	-	19,509
<u>11,618</u>	<u>7,561</u>	<u>-</u>	<u>50,159</u>
10,242,831	-	42,399	17,519,297
305,986	51,231	36,528	897,993
<u>10,548,817</u>	<u>51,231</u>	<u>78,927</u>	<u>18,417,290</u>
<u>\$ 10,620,383</u>	<u>\$ 98,826</u>	<u>\$ 78,927</u>	<u>\$ 21,518,373</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, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water</u>
Operating revenues:			
Charges for services	\$ 395,870	\$ 334,928	\$ 404,679
Total operating revenues	<u>395,870</u>	<u>334,928</u>	<u>404,679</u>
Operating expenses:			
Depreciation and amortization	196,746	-	182,212
Personnel services	69,381	-	135,857
Contractual services	-	332,080	13,729
Supplies	-	-	32,760
Maintenance and materials	65,013	-	32,384
Utilities	-	-	52,096
Miscellaneous	153,035	-	22,610
Total operating expense	<u>484,175</u>	<u>332,080</u>	<u>471,648</u>
Operating income (loss)	<u>(88,305)</u>	<u>2,848</u>	<u>(66,969)</u>
Non-operating revenues (expense):			
Interest income	181	-	458
Interest expense	(43,803)	-	(39,867)
Total non-operating revenues (expense)	<u>(43,622)</u>	<u>-</u>	<u>(39,409)</u>
Income (loss) before contributions and transfers	<u>(131,927)</u>	<u>2,848</u>	<u>(106,378)</u>
Transfers in	-	-	407,135
Transfers out	-	-	(97,422)
State and federal operating grants	-	-	-
Extraordinary item (Note 20)	-	-	-
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>309,713</u>
Change in Net Position	<u>(131,927)</u>	<u>2,848</u>	<u>203,335</u>
Net Position - beginning of the year	4,379,984	96,727	3,230,388
Restatement (Note 17)	2,690	-	(45,730)
Fund balance - beginning of year, restated	<u>4,382,674</u>	<u>96,727</u>	<u>3,184,658</u>
Net Position - end of the year	<u>\$ 4,250,747</u>	<u>\$ 99,575</u>	<u>\$ 3,387,993</u>

<u>Airport</u>	<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
\$ 376,239	\$ 74,494	\$ 7,700	\$ 1,593,910
<u>376,239</u>	<u>74,494</u>	<u>7,700</u>	<u>1,593,910</u>
464,718	-	-	843,676
25,293	52,565	-	283,096
5,179	6,763	-	357,751
9,797	1,500	3,689	47,746
230	-	-	97,627
40,953	-	220	93,269
66,874	-	-	242,519
<u>613,044</u>	<u>60,828</u>	<u>3,909</u>	<u>1,965,684</u>
<u>(236,805)</u>	<u>13,666</u>	<u>3,791</u>	<u>(371,774)</u>
-	-	-	639
-	-	-	(83,670)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,031)</u>
<u>(236,805)</u>	<u>13,666</u>	<u>3,791</u>	<u>(454,805)</u>
-	-	-	407,135
-	-	-	(97,422)
6,834	-	-	6,834
<u>3,750,000</u>	<u>-</u>	<u>-</u>	<u>3,750,000</u>
<u>3,756,834</u>	<u>-</u>	<u>-</u>	<u>4,066,547</u>
<u>3,520,029</u>	<u>13,666</u>	<u>3,791</u>	<u>3,611,742</u>
<u>7,082,775</u>	<u>71,763</u>	<u>75,136</u>	<u>14,936,773</u>
<u>(53,987)</u>	<u>(34,198)</u>	<u>-</u>	<u>(131,225)</u>
<u>7,028,788</u>	<u>37,565</u>	<u>75,136</u>	<u>14,805,548</u>
<u>\$ 10,548,817</u>	<u>\$ 51,231</u>	<u>\$ 78,927</u>	<u>\$ 18,417,290</u>

STATE OF NEW MEXICO
City of Moriarty
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Water Fund</u>
Cash flow from operating activities			
Cash received from customers	\$ 399,725	\$ 332,819	\$ 406,492
Cash payments to employees for services	(63,894)	-	(118,046)
Cash payments to suppliers for goods and services	(222,267)	(313,675)	(154,178)
Net cash provided by operating activities	<u>113,564</u>	<u>19,144</u>	<u>134,268</u>
Cash flow from noncapital financing activities			
Governmental contributions	-	-	-
Transfers	-	-	309,713
Net cash flows provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>309,713</u>
Cash flows from capital and related financing activities:			
Interest paid	(45,945)	-	(42,409)
Principal payments	(31,700)	-	(35,688)
Acquisition of capital assets	-	-	(322,642)
Net cash provided (used) by capital and related financing activities	<u>(77,645)</u>	<u>-</u>	<u>(400,739)</u>
Cash flows from investing activities			
Interest income	181	-	458
Net cash provided by investing activities	<u>181</u>	<u>-</u>	<u>458</u>
Net increase (decrease) in cash and cash equivalents	36,100	19,144	43,700
Cash & cash equivalents - beginning of year	300,234	74,613	299,043
Cash & cash equivalents - end of year	<u>\$ 336,334</u>	<u>\$ 93,757</u>	<u>\$ 342,743</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (88,305)	\$ 2,848	\$ (66,969)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Pension and OPEB expense	-	-	12,200
Depreciation	196,746	-	182,212
Changes in assets & liabilities:			
Receivables	(3,239)	(2,109)	1,813
Accounts payable	(4,219)	18,405	(599)
Accrued salaries and benefits	999	-	146
Compensated absences	4,488	-	5,465
Customer deposits	7,094	-	-
Net cash provided (used) by operating activities	<u>\$ 113,564</u>	<u>\$ 19,144</u>	<u>\$ 134,268</u>

<u>Airport</u>	<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
\$ 376,938	\$ 73,916	\$ 7,700	\$ 1,597,590
(20,639)	(45,426)	-	(248,005)
<u>(121,255)</u>	<u>(8,263)</u>	<u>(3,924)</u>	<u>(823,562)</u>
<u>235,044</u>	<u>20,227</u>	<u>3,776</u>	<u>526,023</u>
6,834	-	-	6,834
-	-	-	309,713
<u>6,834</u>	<u>-</u>	<u>-</u>	<u>316,547</u>
-	-	-	(88,354)
-	-	-	(67,388)
-	-	-	<u>(322,642)</u>
-	-	-	(478,384)
-	-	-	639
-	-	-	<u>639</u>
241,878	20,227	3,776	364,825
<u>118,650</u>	<u>61,514</u>	<u>32,752</u>	<u>886,806</u>
<u>\$ 360,528</u>	<u>\$ 81,741</u>	<u>\$ 36,528</u>	<u>\$ 1,251,631</u>
\$ (236,805)	\$ 13,666	\$ 3,791	\$ (371,774)
4,576	4,051	-	20,827
464,718	-	-	843,676
699	(578)	-	(3,414)
1,778	-	(15)	15,350
78	1,534	-	2,757
-	1,554	-	11,507
-	-	-	<u>7,094</u>
<u>\$ 235,044</u>	<u>\$ 20,227</u>	<u>\$ 3,776</u>	<u>\$ 526,023</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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 services (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, 2018

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, 2018

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, 2018

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.

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.

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 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

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.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 U.S. Government, which is 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.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2018 the City had no prepaid expenses.

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, 2018, along with applicable PERA and Retiree Health Care.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 flow 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, 2018

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, 2018 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, 2018, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,020,070 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, 2018

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 \$198,980 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, 2018

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, 2018 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, 2018.

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, 2018

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, 2018, \$2,231,603 of the City's bank balance of \$2,927,905 was exposed to custodial credit risk. \$1,402,092 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 \$829,511 was uninsured and uncollateralized at June 30, 2018.

	<u>Wells Fargo</u>	<u>US Bank</u>	<u>Total</u>
Deposits	\$ 2,246,069	\$ 681,836	\$ 2,927,905
Less: FDIC Coverage	<u>(446,302)</u>	<u>(250,000)</u>	<u>(696,302)</u>
Total uninsured public funds	<u>1,799,767</u>	<u>431,836</u>	<u>2,231,603</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>970,256</u>	<u>1,000,000</u>	<u>1,970,256</u>
Uninsured and uncollateralized	<u>829,511</u>	<u>-</u>	<u>829,511</u>
Collateral requirements (50% of uninsured funds)	\$ 899,884	\$ 215,918	\$ 1,115,802
Pledged Collateral	<u>970,256</u>	<u>1,000,000</u>	<u>1,970,256</u>
Over (under) collateralized	<u>\$ 70,373</u>	<u>\$ 784,082</u>	<u>\$ 854,455</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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	\$ 1,639,616
Cash and cash equivalents - Business-type Activities per Exhibit A-1	1,251,631
Restricted cash and cash equivalents - Business-type Activities per Exhibit A-1	56,706
Total cash and cash equivalents	2,947,953
Add: outstanding checks	328,824
Less: outstanding deposits	(11,544)
Less: petty cash	(250)
Less: cash held at the NMFA	(337,078)
Bank balance of deposits	\$ 2,927,905

NOTE 4. Receivables

Receivables as of June 30, 2018, are as follows:

	Governmental Funds	Proprietary Funds
Gross receipts taxes	\$ 270,307	\$ -
Other taxes	67,437	-
Property taxes	10,289	
Other receivables:		
Customer Receivables, Net	-	114,922
Total Receivables, Net	\$ 348,033	\$ 114,922

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, 2018

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	Water	\$ 5,775
General	Corrections	8,860
General	Debt Service	38,732
General	Capital projects	41,025
Fire	Debt Service	37,805
Lodgers Tax	Debt Service	129,996
Street Fund	Capital Projects	52,062
Capital Projects	General	4,923
Capital Projects	General	6,104
Capital Projects	General	32,075
Capital Projects	General	33,089
Capital Projects	Water	322,642
Debt Service	Water	17,722
Water	Debt Service	18,060
Water	Capital Projects	18,366
Water	Debt Service	60,996
Total		<u><u>\$ 828,232</u></u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows (land and construction in progress is not subject to depreciation):

Government activities:	Balance June 30, 2017	Restatement	Balance June 30, 2017 Restated	Additions	Deletions	Balance June 30, 2018
Capital assets not depreciated:						
Land	\$ 324,307	\$ 11,352	\$ 335,659	\$ -	\$ -	\$ 335,659
CIP	-	59,166	59,166	103,716	(162,882)	-
Total capital assets not depreciated	<u>324,307</u>	<u>70,518</u>	<u>394,825</u>	<u>103,716</u>	<u>(162,882)</u>	<u>335,659</u>
Capital asset depreciated:						
Buildings, equipment, improvements and infrastructure	18,725,354	(124,186)	18,601,168	919,462	(56,427)	19,464,203
Total capital assets, depreciated	<u>18,725,354</u>	<u>(124,186)</u>	<u>18,601,168</u>	<u>919,462</u>	<u>(56,427)</u>	<u>19,464,203</u>
Total capital assets	<u><u>19,049,661</u></u>					<u><u>19,799,862</u></u>
Less accumulated depreciation:						
Buildings, equipment, improvements and infrastructure	8,257,136	(84,289)	8,172,847	591,230	(46,802)	8,717,275
Total accumulated depreciation	<u>8,257,136</u>	<u>(84,289)</u>	<u>8,172,847</u>	<u>591,230</u>	<u>(46,802)</u>	<u>8,717,275</u>
Capital Assets, Net	<u><u>\$ 10,792,525</u></u>					<u><u>\$ 11,082,587</u></u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 6. Capital Assets (continued)

Depreciation expense was charged to the following Governmental Activities:

General Government	\$	150,964
Public Safety		303,957
Public Works		51,289
Culture and Recreation		22,402
Health and Welfare		62,618
	\$	591,230

	Balance June 30, 2017	Restatement	Balance June 30, 2017 Restated	Additions	Deletions	Balance June 30, 2018
Business-type activities:						
Capital assets not depreciated:						
Land and Water Rights	\$ -	\$ 1,461,203	\$ 1,461,203	\$ -	\$ -	\$ 1,461,203
Total capital assets not depreciated	-	1,461,203	1,461,203	-	-	1,461,203
Capital asset depreciated:						
Buildings, equipment, improvements and infrastructure	26,231,434	(1,444,362)	24,787,072	4,072,645	-	28,859,717
Total capital assets, depreciated	26,231,434	(1,444,362)	24,787,072	4,072,645	-	28,859,717
Total capital assets	26,231,434					30,320,920
Less accumulated depreciation:						
Buildings, equipment, improvements and infrastructure	9,445,645	(74,219)	9,371,426	843,676	-	10,215,102
Total accumulated depreciation	9,445,645	(74,219)	9,371,426	843,676	-	10,215,102
Capital Assets, Net	\$ 16,785,789					\$ 20,105,818

NOTE 7. Long-term Debt

During the year ended June 30, 2018 the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

Governmental Activities

	Balance June 30, 2017	Restatement	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Governmental Funds						
NMFA-Civic Center	\$ 444,585		-	140,127	\$ 304,458	148,022
First Government lease	76,575	1,169	-	23,615	54,129	25,845
NMFA Drinking Water	79,559		61,403	-	140,962	-
Loan-Fire Pumper Truck	503,779		-	27,049	476,730	29,543
Compensated Absences	69,746		55,308	63,165	61,889	61,189
Total Long Term Debt	\$ 1,174,244		\$ 116,711	\$ 253,956	\$ 1,038,168	\$ 264,599

The City entered into several loan agreements with the New Mexico Finance Authority, wherein the City pledged revenue derived from New Mexico Fire Protection Allotments and State-Shared Gross Receipts Taxes, and State-Shared Gross Receipts Taxes and net water and sewer system to cover debt service. This revenue is subject to intercept agreements. The various NMFA Loans are as follows:

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-term Debt (continued)

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest rate</u>	<u>Issue Amount</u>
Capital Financing - NMFA Civic Center (Moriarty 2)	5/1/2000	5/1/2020	4.03-5.45%	\$ 444,585
NMFA Loan - Fire Pumper (Moriarty 9)	5/1/2017	5/1/2032	1-3-3.07%	503,779
NMFA Drinking Water State Revolving Moriarty 8	5/1/2017	5/1/2035	N/A	613,000

During fiscal year 2016 the City entered into a capital Lease agreement to purchase two police cars for a principal amount of \$119,051 and an annual interest rate of 9.44%. This loan will be paid in full at July 1, 2020.

The annual requirement to amortize the outstanding loans as of June 30, 2018 including interest payments for Governmental Activities are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
June 30, 2019	\$ 203,410	\$ 30,396	\$ 233,806
2020	222,013	19,761	241,774
2021	37,882	8,280	46,162
2022	38,537	7,577	46,114
2032	38,807	8,812	47,619
2024-2028	209,416	20,133	229,549
2029-2033	188,022	2,282	190,304
2034-3038	38,192	567	38,759
	<u>976,279</u>	<u>\$ 72,501</u>	<u>\$ 1,074,087</u>

Business-Type Activities

Bonds and notes payables for the Business-Type Activities as of June 30, 2018 are comprised of the following:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
USDA Water Improvement Bonds	\$ 850,000	-	\$ 20,000	\$ 830,000	\$ 20,000
NMFA Water Loan	133,209	-	15,688	117,521	15,937
USDA Wastewater Improvement Bonds	1,670,700	-	31,700	1,639,000	32,600
Compensated Absences	-	42,137	30,630	11,507	11,507
Total Long Term Debt	<u>\$ 2,653,909</u>	<u>\$ 42,137</u>	<u>\$ 98,018</u>	<u>\$ 2,598,028</u>	<u>\$ 80,044</u>

The USDA Water Improvement revenue Bonds were issued in 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 will be fully matured in August of 2039. The bonds are secured by the revenues of the Water Fund.

The City borrowed \$193,706 from the NMFA in 2006 to make improvements to the City's water system. The debt issuance has an interest rate ranging between 2.34 and 4.26% and run through May of 2025.

The USDA Wastewater Improvement revenue Bonds were issued in 2010 in the amount of \$1,670,000 to make improvements to the City's wastewater system. The bonds have an interest rate

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City of Moriarty
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June 30, 2018

NOTE 7. Long-term Debt Business-Type Activities (continued)

of 2.75% and will be fully matured in March of 2049. The bonds are secured by the revenues of the Sewer Fund.

The annual requirements to amortize the bonds and loans as of June 30, 2018 including interest payments are follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	68,537	87,219	\$ 155,756
2020	69,698	85,059	154,757
2021	80,873	82,886	163,759
2022	82,060	80,699	162,759
2032	83,362	77,398	160,760
2024-2028	392,191	346,431	738,622
2029-2033	425,700	273,800	699,500
2034-3038	518,500	190,000	708,500
2039-2043	376,100	97,400	473,500
2044-2048	339,100	49,400	388,500
2049-2050	150,400	5,000	155,400
	<u>2,586,521</u>	<u>\$ 1,375,292</u>	<u>\$ 3,961,813</u>

Compensated Absences - Employees of the City are able to accrue a limited amount of vacation. During fiscal year June 30, 2018, compensated absences for general government decreased by \$1,579 and for business-like activities increased by \$11,507. Accrued compensated absences have historically been liquidated through the general fund.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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, 2018

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, 2017 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.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 FY17 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_2016.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 \$153,252 for the year ended June 30, 2018.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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, 2017						
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, 2018

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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2017 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, 2018, the City reported a liability of \$992,089 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .0722 percent, which was slightly changed from its proportion measured as of June 30, 2017.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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 \$86,689. At June 30, 2018, 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	\$ 38,982	\$ 50,812
Changes of assumptions	45,750	10,252
Net difference between projected and actual earnings on pension plan investments	81,395	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	12,314	24,332
City's contributions subsequent to the measurement date	62,554	-
Total	<u>\$ 240,995</u>	<u>\$ 85,396</u>

\$62,554 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>
2019	\$ 29,696
2020	81,056
2021	6,081
2022	(23,788)
Thereafter	-
Total	<u>\$ 93,045</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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

For PERA Fund Division Municipal Police, at June 30, 2018, the City reported a liability of \$1,043,907 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .1979 percent, which was slightly changed from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Police pension expense of \$91,217. At June 30, 2018, the City reported PERA Fund Division Municipal Police 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	\$ 63,402	\$ 194,859
Changes of assumptions	62,109	24,274
Net difference between projected and actual earnings on pension plan investments	84,072	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	77,240	31,130
City's contributions subsequent to the measurement date	75,438	-
Total	<u>\$ 362,261</u>	<u>\$ 250,263</u>

\$75,438 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>
2019	\$ 3,033
2020	76,541
2021	(18,803)
2022	(24,582)
Thereafter	-
Total	<u>\$ 36,189</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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

For PERA Fund Division Municipal Fire, at June 30, 2018, the City reported a liability of \$321,545 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .0562 percent, which was slightly changed from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Fire pension expense of \$28,096. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,500	\$ 40,263
Changes of assumptions	12,712	2,016
Net difference between projected and actual earnings on pension plan investments	12,070	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	22,302	-
City's contributions subsequent to the measurement date	15,260	-
Total	<u>\$ 72,844</u>	<u>\$ 42,279</u>

\$15,260 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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
2019	\$ 10,850
2020	12,752
2021	(4,820)
2022	(3,477)
Thereafter	-
Total	<u>\$ 15,305</u>

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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

Actuarial Assumptions: The total pension liability at June 30, 2018 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed Market Value
Actuarial assumptions:	Fair value
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75-3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25%-2.75% annual rate
Mortality assumption	RP-2000 Mortality Tables
Experience study dates	July 1, 2008 to June 30, 2013, and July 1, 2010 through June 30, 2016

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%	7.39%
Risk Reduction	21.5%	1.79%
Credit Oriented	15.0%	5.77%
Real Assets	20.0%	4.15%
Total	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.51%. 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 7.51% 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, 2018

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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
City's proportionate share of the net pension liability	\$ 1,554,931	\$ 992,089	\$ 524,007
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
City's proportionate share of the net pension liability	\$ 1,664,743	\$ 1,043,907	\$ 534,420
<u>PERA Fund Division Municipal Fire</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
City's proportionate share of the net pension liability	\$ 430,954	\$ 321,545	\$ 231,283

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at:

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

Payables to pension plan: As of June 30, 2018, 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 FY17 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2017.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202017.pdf).

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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 \$26,516 for the year ending June 30, 2018.

At June 30, 2018, the City reported a liability of \$1,318,717 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2017. At June 30, 2018, the City's proportion was 0.0122 percent.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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

For the year ended June 30, 2018, 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	\$ -	\$ 50,605
Changes of assumptions	-	230,561
Net difference between projected and actual earnings on OPEB plan investments	-	18,971
City's contributions subsequent to the measurement date	49,878	-
Total	<u>\$ 49,878</u>	<u>\$ 300,137</u>

Deferred outflows of resources totaling \$51,502 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, 2019. 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	\$ (63,811)
2020	(63,811)
2021	(63,811)
2022	(63,811)
Thereafter	(44,893)
Total	<u>\$ (300,137)</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% graded down to 4.5% over 12 years for

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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 3.81% as of June 30, 2017. 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, 3.81% is the blended discount rate.

<u>RHC Fund Division Municipal Government</u>	<u>1% Decrease (2.81%)</u>	<u>Current Discount Rate (3.81%)</u>	<u>1% Increase (4.81%)</u>
City's proportionate share of the net OPEB liability	\$ 1,599,583	\$ 1,318,717	\$ 1,098,352

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, 2017.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

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, 2018 were:

<u>Year</u>	<u>Amount</u>
2019	\$ 1,680
2020	1,680
2021	1,680
2022	1,400
2023	-
Total	<u>\$ 6,440</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, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2018, 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 \$821,090 of restricted amounts in governmental activities, all of which is restricted by enabling legislation.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 16. Restatements

The City has recorded restatements to net position to prior year's financial statements to correct errors in cash balances, accounts receivable, accumulative depreciation, fixed assets, loan balances, and net pension liability including the related deferred outflows and inflows of resources between Business-type Activities and Governmental Activities. The City also implemented GASB 75 in fiscal year 2018 related to reporting of postemployment benefits other than pensions resulting in restatements to beginning fund balances.

Governmental funds recognized restatements to beginning fund balances for the following items:

At June 30, 2017 the New Mexico Finance Authority held cash in the City's name in the amount of \$501,646 relating to debt issued in fiscal year 2017 for the purchase of a fire truck. The City did not record these cash balances in their prior year financial statements.

The at June 30, 2017 the City only accrued one month of GRT and GAS tax receivables resulting in a restatement to beginning taxes receivable for \$184,521.

Governmental Activities recorded restatements for the following items:

Beginning costs of capital assets was adjusted down by \$53,668 and accumulative depreciation was decreased by \$84,289 resulting in a total adjustment to capital assets of \$30,621.

Total long term debt owed to First Government Lease Company was adjusted by \$1,169 to reflect beginning balances on loans payable.

The City implemented GASB 75 related to their Net OPEB Liability as described in Note 10. The net result was a decrease in fund balance of \$1,223,666.

In the prior year the City did not allocate Net Pension Liability and the related deferred outflows and deferred inflows of resources to proprietary funds. This resulted in an increase in fund balances in Governmental Activities of \$120,470.

Business-type Activities recorded restatements for the following Items:

Based on the acquisition date, cost and useful lives of the City's capital assets the City recognized adjustments to their prior year's capital asset balances as follows:

Water Fund: Costs of assets were increase by \$16,844 and accumulative depreciation was decreased by 74,218.

Sewer and Airport : Accumulative depreciation was improperly allocated between Sewer and Airport resulting in an increase in beginning accumulative depreciation in Airport of \$2,690 and a decrease in Sewer of \$2,690.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 16. Restatements (continued)

The City did not allocate pension liability, deferred outflows and deferred inflows of resources to their proprietary funds in their prior year financial statement resulting in restatements to beginning net position for the allocation of the net pension liability and the related deferred outflows and inflows of resources. The City also implemented GASB 75 in fiscal year 2018 which resulted in restatements to beginning net position for the Net OPEB liability and related deferred outflows and inflows of resources. These restatements are as follows:

	GASB 68	GASB 75	Total
	Restatement	Restatement	
Water:	\$ (74,135)	\$ (62,657)	\$ (136,792)
Airport:	(27,801)	(23,496)	(51,297)
Ambulance:	(18,534)	(15,664)	(34,198)
Total	\$ (120,470)	\$ (101,817)	\$ (222,287)

In the Water fund the City corrected errors in the calculation of accumulative depreciation by lowering the amount reported in the prior year financial statements by \$74,218.

A reconciliation of the above restatements is as follows:

Fund Name	Net Position / Fund Balance June 30, 2017	Prior Period Accounts Receivable	Cash	Capital Assets	Long-Term Debt	GASB 68 & 75	Restated Net Position/Fund Balance June 30, 2017
Government Wide Restatements:							
Governmental Activities	\$ -	\$ 183,442	\$ 501,646	\$ 30,621	\$ (1,169)	\$ (1,344,136)	\$ (629,596)
Business-type Activities	10,384,926	-	-	91,062	-	(222,287)	10,253,701
Total	\$ 10,384,926	\$ 183,442	\$ 501,646	\$ 121,683	\$ (1,169)	\$ (1,566,423)	\$ 9,624,105
Governmental Funds Restatements:							
General Fund	934,074	163,352	-	-	-	-	1,097,426
Fire Protection	14,992	-	501,646	-	-	-	516,638
Streets	58,666	20,090	-	-	-	-	78,756
Total Governmental Funds	1,007,732	183,442	501,646	-	-	-	1,692,820
Proprietary Fund Restatements:							
Sewer	4,379,984	-	-	2,690	-	-	4,382,674
Water	3,230,388	-	-	91,062	-	(136,792)	3,184,658
Airport	7,082,775	-	-	(2,690)	-	(51,297)	7,028,788
Ambulance	71,763	-	-	-	-	(34,198)	37,565
Total Proprietary Fund Restatements	10,384,926	-	-	91,062	-	(222,287)	14,633,685

NOTE 17. GASB 77 Disclosures (Tax Abatements)

Management of the City is not aware of any tax abatement agreements that existed as of June 30, 2018.

STATE OF NEW MEXICO
City of Moriarty
Notes to the Financial Statements
June 30, 2018

NOTE 18. 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 EMNDRD

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, 2018

NOTE 18. 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 19. Related party

The City of Moriarty paid \$18,011 for the year ended June 30, 2018 for supplies to Hart's Home Center which is owned by the Mayor.

NOTE 20. Extraordinary item

During the fiscal year 2018 Google abandoned a 59,200 square foot building located on the Town's airport. The Fair value of the asset donation was estimated to be approximately \$3,750,000. The asset and related revenue associated with the asset donation was recognized in the City's Airport Fund.

REQUIRED SUPPLEMENTARY 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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0722%	0.0750%	0.0751%	0.0712%
City's proportionate share of the net pension liability (asset)	\$ 992,089	\$ 1,198,247	\$ 765,710	\$ 555,436
City's covered-employee payroll	\$ 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	151.46%	188.94%	118.70%	93.91%
Plan fiduciary net position as a percentage of the total pension liability	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
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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.1979%	0.1791%	0.1614%	0.1840%
City's proportionate share of the net pension liability (asset)	\$ 1,043,907	\$ 1,321,454	\$ 776,102	\$ 599,820
City's covered-employee payroll	\$ 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	261.54%	342.47%	327.06%	289.40%
Plan fiduciary net position as a percentage of the total pension liability	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

STATE OF NEW MEXICO
City of Moriarty
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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0562%	0.0538%	0.0479%	0.0479%
City's proportionate share of the net pension liability (asset)	\$ 321,545	\$ 358,900	\$ 256,511	\$ 199,934
City's covered-employee payroll	\$ 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	240.20%	277.34%	215.30%	185.53%
Plan fiduciary net position as a percentage of the total pension liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 62,554	\$ 60,565	\$ 61,604	\$ 59,448
Contributions in relation to the contractually required contribution	\$ 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

	2018	2017	2016	2015
Contractually required contribution	\$ 75,438	\$ 72,928	\$ 67,323	\$ 59,848
Contributions in relation to the contractually required contribution	\$ 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 15,260	\$ 14,752	\$ 13,582	\$ 12,285
Contributions in relation to the contractually required contribution	\$ 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

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.0122	0.0122
City's proportionate share of the net OPEB liability (asset)	\$ 1,318,717	\$ 1,591,411
City's covered-employee payroll	\$ 1,325,750	\$ 1,249,350
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	99.47%	127.38%

*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>2018</u>	<u>2017</u>
Contractually required contribution	\$ 26,515	\$ 24,987
Contributions in relation to the contractually required contribution	\$ 26,515	\$ 24,987

*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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Moriarty
Nonmajor Fund Description
June 30, 2018

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.

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.

Street Fund – 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.

STATE OF NEW MEXICO
City of Moriarty
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue		
	Corrections	EMS	Law Enforcement
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Other receivables	1,820	-	-
Total assets	\$ 1,820	\$ -	\$ -
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-
Total liabilities	-	-	-
Fund balance			
Spendable:			
Restricted for:			
Public safety	1,820	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Total fund balance	1,820	-	-
Total liabilities and fund balance	\$ 1,820	\$ -	\$ -

<u>Special Revenue</u>		<u>Total Other Governmental Funds</u>
<u>Lodgers Tax</u>	<u>Street</u>	
\$ 154,489	\$ 32,142	\$ 186,631
17,506	43,282	62,608
<u>\$ 171,995</u>	<u>\$ 75,424</u>	<u>\$ 249,239</u>
\$ -	\$ 5,506	\$ 5,506
-	1,977	1,977
<u>-</u>	<u>7,483</u>	<u>7,483</u>
-		1,820
-	67,941	67,941
171,995	-	171,995
<u>171,995</u>	<u>67,941</u>	<u>241,756</u>
<u>\$ 171,995</u>	<u>\$ 75,424</u>	<u>\$ 249,239</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, 2018

	Special Revenue		
	Corrections	EMS	Law Enforcement
Revenues			
Gas taxes	\$ -	\$ -	\$ -
Lodger's taxes	-	-	-
State operating grants	-	8,697	25,400
Miscellaneous income	7,958	-	-
Total revenue	<u>7,958</u>	<u>8,697</u>	<u>25,400</u>
Expenditures			
Current:			
Public safety	18,550	8,697	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	18,062
Interest	-	-	7,338
Total expenditures	<u>18,550</u>	<u>8,697</u>	<u>25,400</u>
Excess (deficiency) of revenues over expenditures	<u>(10,592)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Transfers in	8,860	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>8,860</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(1,732)</u>	<u>-</u>	<u>-</u>
Fund balance - beginning of year	3,552	-	-
Restatement (Note 17)	-	-	-
Fund balance - beginning of year, restated	<u>3,552</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,820</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue		Total Other Governmental Funds
Lodger's Tax	Street	
\$ -	\$ 252,324	\$ 252,324
169,443	-	169,443
-	-	34,097
10,882	-	18,840
<u>180,325</u>	<u>252,324</u>	<u>474,704</u>
-	-	27,247
-	211,077	211,077
68,146	-	68,146
-	-	18,062
-	-	7,338
<u>68,146</u>	<u>211,077</u>	<u>331,870</u>
<u>112,179</u>	<u>41,247</u>	<u>142,834</u>
-	-	8,860
<u>(129,996)</u>	<u>(52,062)</u>	<u>(182,058)</u>
<u>(129,996)</u>	<u>(52,062)</u>	<u>(173,198)</u>
<u>(17,817)</u>	<u>(10,815)</u>	<u>(30,364)</u>
189,812	58,666	252,030
-	20,090	20,090
<u>189,812</u>	<u>78,756</u>	<u>272,120</u>
<u>\$ 171,995</u>	<u>\$ 67,941</u>	<u>\$ 241,756</u>

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Moriarty
Schedule of Deposits and Investments
June 30, 2018

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	1,852,604	\$ 11,544	\$ 326,956	\$ 1,537,192
Water Bond	Savings	67,462	-	-	67,462
Pooled (Utility-partial Hold)	Checking	89,646	-	1,868	87,778
Interest Reserves	NOW Account	131,380	-	-	131,380
Asset Management	NOW Account	64,922	-	-	64,922
Bond Account	Savings	36,824	-	-	36,824
Court Cash	Checking	3,231	-	-	3,231
Total Wells fargo		<u>2,246,069</u>	<u>11,544</u>	<u>328,824</u>	<u>1,928,789</u>
US Bank					
Investment Account	MM	681,836	-	-	681,836
Total US Bank Cash		<u>681,836</u>	<u>-</u>	<u>-</u>	<u>681,836</u>
NMFA Cash					
NMFA	MM	337,078	-	-	337,078
Total NMFA Cash		<u>337,078</u>	<u>-</u>	<u>-</u>	<u>337,078</u>
Total		<u>\$ 3,264,983</u>	<u>\$ 11,544</u>	<u>\$ 328,824</u>	<u>\$ 2,947,703</u>
Petty Cash					250
Total Cash and Cash Equivliants					<u>2,947,953</u>
				Cash and cash equivalents - Exhibit A-1	2,891,247
				Restricted cash and cash equivalents - Exhibit A-1	56,706
				Reconciled deposits and investments	<u>\$ 2,947,953</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, 2018

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP / Description</u>	<u>Fair Market Value</u>
US Bank	FHLB	N/A	Letter of Credit	\$ 1,000,000
Wells Fargo	FMAC	3/1/2042	3132GRZN4	237,518
Wells Fargo	FNMA	7/1/2047	314OGPUW6	732,738
Total				<u>\$ 1,970,256</u>

See Independent Auditors' Report

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COMPLIANCE SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S 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*

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

and

To the Honorable Mayor and City Councilors of
City 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 funds of the City of Moriarty (the City), as of and for the year ended June 30, 2018, 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 26, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (FS 2018-02, FS 2018-003).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies (FS 2018-001).

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*.

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 responses. 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 26, 2018

**STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Responses
June 30, 2018**

SECTION II – SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of auditors' report issued:

City of Moriarty	Unmodified
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2. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified? Yes
 - c. Noncompliance material to the financial statements? No

SECTION II – PRIOR YEAR AUDIT FINDINGS

FS 2017-001: Non-Compliance with Travel and Per Diem — Significant Deficiency – Resolved

STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Responses
June 30, 2018

SECTION III - AUDIT FINDINGS

FS 2018-001: Internal Controls – Significant Deficiency

Condition: The City has deficiencies in its internal control structure, operation and oversight. We noted the following areas in which the City did not have sufficient key internal controls in place during the fiscal year of 2018:

- Bank reconciliations are not signed off on by a second individual as indication of having a subsequent review.
- The daily revenues receipted by the City cashier are not signed off by another person in the City as verified as being correct.
- Purchase requisitions and vendor invoices are not attached together upon filing in the Vendor file
- In addition, DFA cash was not reviewed and was \$172,622 below the actual cash held by the City.

Criteria: The (COSO) internal control integrated framework consists of five critical elements that must be present in an organization in order for it to achieve its objectives. These elements consist of the entity's control environment, risk assessment, control activities, information and communication and monitoring. Appropriate segregation of duties in cash receipting, disbursements and payroll processing is required to maintain proper and sufficient internal controls and properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978.

Effect: The City is exposing itself to risk that a significant misstatement or fraud could occur that may not be detected and corrected in a timely manner by the current internal control practices.

Cause: The City does not have proper policies and procedures that documented their inherent weaknesses and applied mitigating controls to address these risks implemented during the fiscal year of 2018.

Auditor's Recommendation: We recommend that the City perform a risk assessment to implement and update their policies and procedures so supporting documentation shows control activities are taking place in the daily operations of the City. Further, we recommend that the City monitor if controls are operating as intended on a continuous basis.

Management's Response: Management has updated our current process, and policies and procedures to address the above noted issues. Further, we will reconcile DFA cash properly by the end of the fiscal year.

Responsible Party: City Clerk and City Council.

Timeline: June 30, 2019

STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Responses
June 30, 2018

FS 2018-002 Financial Statement Adjustments – Material Weakness

Condition: The initial trial balance that was provided for the audit required material adjustments to cash, accounts receivable, capital assets, revenues, expenses and fund balance/ net position. The following adjustments were noted in Note 16 to the financial statements:

Cash:	\$501,646
Accounts Receivable:	\$183,442
Capital Assets:	\$121,683
Long Term Debt:	\$(1,169)

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: Due to the turnover in management in prior years, the City’s internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2018.

Auditors’ Recommendation: We recommend that the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Management’s Response: Management will develop processes and procedures to ensure the final balances reported in the audit report are accurate and correct and also ensure the final balances in the audit report are updated in our Financial Management System.

Responsible Party: City Clerk and City Council.

Timeline: June 30, 2019

STATE OF NEW MEXICO
City of Moriarty
Schedule of Findings and Responses
June 30, 2018

FS 2018-003 Capital Assets – Material Weakness

Condition: During our audit procedures performed in capital asset we noted the following issues:

The City does not have processes or internal controls in place over their governmental activity capital asset listing to ensure the information is correct. This includes:

- The initial capital asset listing provided by the Client did not tie to the previous audit. Total capital assets reported in the client's capital asset listing under stated capital asset costs by \$236,650.
- The City's prior year audit report over stated capital assets by \$112,834 and over stated accumulative depreciation by \$84,289.
- The City is not properly tracking construction in progress which resulted in \$70,518 being restated to Prior years CIP.
- The City did not perform the required annual capital asset inventory for all moveable chattels.

Criteria: Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. Section 12-6-10 NMSA1978 requires that the city's capital asset inventory list any item costing more than \$5,000, effective June 17, 2005.

Effect: Without proper accounting for capital asset additions, deletions, and depreciation, the financial statements of the City may be misstated.

Cause: The City does not have a sufficient internal control system in place to properly account for capital assets. The City did not properly maintain, track, and record capital assets throughout the fiscal year.

Auditors' Recommendation: The City must conduct a physical inventory of its capital assets in accordance with state statute and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the City in the determination of obsolete equipment. Finally, the City should reconcile amounts reported in their annual financial report to totals reported in their internal capital asset listing.

Management's Response: The City is in the process of adopting polices which will require yearly inventories of movable chattel. In addition, the City is in the process of converting the current fixed asset list to a form which is easily maintained by City Management.

Responsible Party: City Clerk, Department Heads, and City Council.

Timeline: June 30, 2019

STATE OF NEW MEXICO
Exit Conference
Schedule of Findings and Responses
June 30, 2018

Exit Conference

An exit conference was held on November 26, 2018. In attendance were the following:

Ted Hart	Mayor
Sheila Larranaga-Murphy	City Clerk

Representing Southwest Accounting Solutions, LLC:

Robert Peixotto, CPA	Managing Member
Geoff Mamerow, CFE	Audit Manager

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.