



**STATE OF NEW MEXICO**

**City of Belen**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

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

**CITY COUNCIL**

Jera Cordova ..... Mayor  
Darleen Aragon..... Councilor  
Frank F. Ortega..... Councilor  
David Carter..... Councilor  
Wayne Gallegos..... Councilor

**ADMINISTRATIVE OFFICIALS**

Leona Vigil ..... City Manager  
Roseann Peralta ..... Finance Director  
Elena Garcia .....Accounts Payable Clerk  
Rhianna Chavez .....Finance Specialist

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## **FINANCIAL SECTION**



Auditors~Consultants~CPA

## **INDEPENDENT AUDITORS' REPORT**

Honorable Wayne Johnson  
New Mexico State Auditor  
The City Council  
City of Belen  
Belen, New Mexico

### **Report on 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 the major special revenue funds of the City of Belen (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 for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this 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.

### **Auditors' 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 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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, economical, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that Schedule I through IV on pages 74-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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 purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards (Schedule VIII), as required by Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the combining and individual non-major fund financial statements (statement A-1 and A-2) and the Supporting Schedules V through VII as listed in the table of contents required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the combining and individual non-major fund financial statements and the Supporting Schedules V through VII are the responsibility of management and was 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 the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the combining and individual non-major fund financial statements and Supporting Schedules V and VII required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The City's corrective action plan on pages 127-129 and the introductory section have not been subject 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 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 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 1, 2018

## **BASIC FINANCIAL STATEMENTS**

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

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,649,928	\$ 1,459,267	\$ 3,109,195
Restricted cash	7,513,656	54,251	7,567,907
Property taxes	172,331	-	172,331
Gross receipt taxes receivable	1,202,862	24,099	1,226,961
Other receivables, net	828,888	-	828,888
Customer receivables, net	-	921,167	921,167
Due from other funds	-	39,722	39,722
<b>Total current assets</b>	<u>11,367,665</u>	<u>2,498,506</u>	<u>13,866,171</u>
<b>Noncurrent assets</b>			
Bond discounts, net of accumulated amortization of \$60,045	91,934	-	91,934
Bond insurance, net of accumulated amortization of \$46,191	57,149	-	57,149
Capital assets	99,338,156	48,113,286	147,451,442
Less: Accumulated Depreciation	(64,507,202)	(23,754,237)	(88,261,439)
<b>Total noncurrent assets</b>	<u>34,980,037</u>	<u>24,359,049</u>	<u>59,339,086</u>
<b>Deferred outflows of resources</b>			
Deferred outflows from pension	2,289,593	346,153	2,635,746
Deferred outflows from OPEB	125,360	18,954	144,314
Deferred amount on refunding of debt	332,629	-	332,629
Deferred outflows from economic development project (see Note 7)	500,000	-	500,000
<b>Total deferred outflows</b>	<u>3,247,582</u>	<u>365,107</u>	<u>3,612,689</u>
<b>Total assets, and deferred outflows of resources</b>	<u>\$ 49,595,284</u>	<u>\$ 27,222,662</u>	<u>\$ 76,817,946</u>

See Independent Auditors' Report and Notes to Financial Statements

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 962,392	\$ 547,954	\$ 1,510,346
Accrued salaries and benefits	94,785	19,672	114,457
Accrued interest	98,677	2,101	100,778
Due to other funds	39,722	-	39,722
Notes and bonds payable	1,212,123	76,815	1,288,938
Compensated absences	153,707	33,461	187,168
Landfill closure liability	-	21,930	21,930
<b>Total current liabilities</b>	<b>2,561,406</b>	<b>701,933</b>	<b>3,263,339</b>
<b>Noncurrent liabilities</b>			
Customer deposits	-	212,835	212,835
Notes and bonds payable	14,062,730	1,394,651	15,457,381
Compensated absences	25,524	20,076	45,600
Bond premiums, net of accumulated amortization of \$68,573	591,356	-	591,356
Landfill closure liability	-	214,192	214,192
Net pension liability	6,906,454	1,044,155	7,950,609
Net OPEB liability	3,344,473	505,635	3,850,108
<b>Total noncurrent liabilities</b>	<b>24,930,537</b>	<b>3,391,544</b>	<b>28,322,081</b>
<b>Total Liabilities</b>	<b>27,491,943</b>	<b>4,093,477</b>	<b>31,585,420</b>
<b>Deferred inflows of resources</b>			
Deferred inflows from pension	896,836	135,589	1,032,425
Deferred inflows from OPEB	761,195	115,081	876,276
<b>Total Deferred inflows</b>	<b>1,658,031</b>	<b>250,670</b>	<b>1,908,701</b>
<b>Net Position</b>			
Net investment in capital assets	19,556,101	22,887,583	42,443,684
<b>Restricted for:</b>			
Debt Service	1,642,305	-	1,642,305
Capital projects	3,541,176	54,251	3,595,427
Special Revenue	3,230,349	-	3,230,349
Unrestricted	(7,524,621)	(63,319)	(7,587,940)
<b>Total net position</b>	<b>20,445,310</b>	<b>22,878,515</b>	<b>43,323,825</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 49,595,284</b>	<b>\$ 27,222,662</b>	<b>\$ 76,817,946</b>

**STATE OF NEW MEXICO**  
**City of Belen**  
**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>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 2,021,551	\$ 63,579	\$ 475,200	\$ -
Public Safety	4,624,129	10,121	337,559	1,440
Public Works	2,929,933	212,420		512,017
Culture and Recreation	2,224,687	57,702	1,112,823	175,638
Health and welfare	139,791	-	59,432	-
Interest on Long-Term Debt	488,121	-		-
<b>Total Governmental Activities</b>	<u>12,428,212</u>	<u>343,822</u>	<u>1,985,014</u>	<u>689,095</u>
<b>Business-Type Activities</b>				
Waste Water	1,570,459	1,656,744	-	300,000
Water	2,432,570	1,985,409	-	1,150,949
Solid Waste	1,447,621	1,546,059	-	-
<b>Total Business-Type Activities</b>	<u>5,450,650</u>	<u>5,188,212</u>	<u>-</u>	<u>1,450,949</u>
<b>Total primary government</b>	<u>\$ 17,878,862</u>	<u>\$ 5,532,034</u>	<u>\$ 1,985,014</u>	<u>\$ 2,140,044</u>

**General Revenues:**

Taxes:

Property Taxes levied for general purposes

Gross receipt taxes

Gas taxes

Franchise taxes

Lodgers taxes

Interest income

Miscellaneous Income

Transfers

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Net Position - restatement (Note 18)

Net Position - as restated

Net Position - ending

See Independent Auditors' Report and Notes to Financial Statements



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

<b>Government Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (1,482,772)	\$ -	\$ (1,482,772)
(4,275,009)	-	(4,275,009)
(2,205,496)	-	(2,205,496)
(878,524)	-	(878,524)
(80,359)	-	(80,359)
(488,121)	-	(488,121)
<u>(9,410,281)</u>	<u>-</u>	<u>(9,410,281)</u>
-	386,285	386,285
-	703,788	703,788
-	98,438	98,438
-	1,188,511	1,188,511
<u>(9,410,281)</u>	<u>1,188,511</u>	<u>(8,221,770)</u>
1,205,192	-	1,205,192
6,746,851	379,293	7,126,144
108,044	-	108,044
267,946	-	267,946
58,737	-	58,737
10,916	119	11,035
329,620	6,135	335,755
379,282	(379,282)	-
<u>9,106,588</u>	<u>6,265</u>	<u>9,112,853</u>
<u>(303,693)</u>	<u>1,194,776</u>	<u>891,083</u>
24,721,707	22,284,352	47,006,059
(3,972,704)	(600,613)	(4,573,317)
<u>20,749,003</u>	<u>21,683,739</u>	<u>42,432,742</u>
<u>\$ 20,445,310</u>	<u>\$ 22,878,515</u>	<u>\$ 43,323,825</u>

**State of New Mexico  
City of Belen  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	<u>General Fund</u>	<u>58th SOW Operations Special Revenue Fund</u>	<u>GRT Revenue Bonds Debt Service Fund</u>	<u>Debt Service</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash	589,222	1,579,734	526,363	1,090,012
Property taxes receivable	131,066	-	41,265	-
Gross receipt taxes receivable	913,687	-	-	-
Other receivables	87,628	370,941	-	-
Due from other funds	-	-	-	133,000
<b>Total assets</b>	<u>\$ 1,721,603</u>	<u>\$ 1,950,675</u>	<u>\$ 567,628</u>	<u>\$ 1,223,012</u>
<b>Liabilities, deferred inflows of resources and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 71,088	\$ 68,000	\$ -	\$ -
Accrued salaries and benefits	92,980	-	-	-
Due to other funds	39,722	-	-	-
<b>Total liabilities</b>	<u>203,790</u>	<u>68,000</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - property taxes	78,663	-	15,335	-
<b>Total liabilities and deferred inflows of resources</b>	<u>282,453</u>	<u>68,000</u>	<u>15,335</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable				
Interfund Loans	-	-	-	133,000
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	1,882,675	-	-
Debt service expenditures	-	-	552,293	1,090,012
Capital projects	-	-	-	-
Committed to:				
Minimum fund balance	561,698	-	-	-
Unassigned	877,452	-	-	-
<b>Total fund balances</b>	<u>1,439,150</u>	<u>1,882,675</u>	<u>552,293</u>	<u>1,223,012</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,721,603</u>	<u>\$ 1,950,675</u>	<u>\$ 567,628</u>	<u>\$ 1,223,012</u>

See Independent Auditors' Report and Notes to Financial Statements

Road Infrastructure Improvements Capital Projects Fund	Other Governmental Funds	Total
\$ 301,025	\$ 1,348,903	\$ 1,649,928
3,673,786	54,539	7,513,656
-	-	172,331
-	289,175	1,202,862
-	370,319	828,888
-	628,090	761,090
<u>\$ 3,974,811</u>	<u>\$ 2,691,026</u>	<u>\$ 12,128,755</u>

\$ 770,339	\$ 52,965	\$ 962,392
-	1,805	94,785
-	761,090	800,812
<u>770,339</u>	<u>815,860</u>	<u>1,857,989</u>

-	-	93,998
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<u>770,339</u>	<u>815,860</u>	<u>1,951,987</u>
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-	628,090	761,090
---	---------	---------

-	160,350	160,350
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-	349,192	349,192
---	---------	---------

-	753,153	753,153
---	---------	---------

-	84,979	1,967,654
---	--------	-----------

-	-	1,642,305
---	---	-----------

3,204,472	336,704	3,541,176
-----------	---------	-----------

-	-	561,698
---	---	---------

-	(437,302)	440,150
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<u>3,204,472</u>	<u>1,875,166</u>	<u>10,176,768</u>
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<u>\$ 3,974,811</u>	<u>\$ 2,691,026</u>	<u>\$ 12,128,755</u>
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**STATE OF NEW MEXICO**

**City of Belen**

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2018**

Exhibit B-1

Page 2 of 2

**Total Fund Balance - Governmental Funds** \$ 10,176,768

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

The city has unamortized bond discounts and bond insurance costs. These are not current financial resources and therefore, are not reported in the funds:

Bond discounts	91,934
Bond insurance costs	57,149

Loan proceeds paid to refund bond escrow agent in prior years were reported as an other financing use in the funds and were netted against the refunded bonds with the difference being reported as a deferred outflow of resources in the government-wide Statement of Net Position and amortized over the remaining life of the	332,629
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Capital assets	99,338,156
Less: Accumulated depreciation	(64,507,202)

Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows in the fund financial statements, but are considered revenues in the Statement of Activities.	93,998
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Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest	(98,677)
--	----------

Deferred outflows and inflows relating from pension and OPEB liabilities are not payable / collected in the current period and therefore are not reported in the fund financial statements. Deferred outflows and inflows consist of the following:

Deferred outflows from pension	2,289,593
Deferred inflows from pension	(896,836)
Deferred outflows from OPEB	125,360
Deferred inflows from OPEB	(761,195)

Deferred outflows of resources of resources related to the disposition of land in exchange for the economic development plan. See Note 7 to the Financial	500,000
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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	(179,231)
Bond premiums	(591,356)
Loans payable	(15,274,853)
Net pension liability	(6,906,454)
Net OPEB liability	(3,344,473)
	(20,445,310)

<b>Total net position of governmental activities</b>	<b>\$ 20,445,310</b>
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**STATE OF NEW MEXICO**  
**City of Belen**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>58th SOW Operations Special Revenue Fund</u>	<u>GRT Revenue Bonds Debt Service Fund</u>	<u>Debt Service</u>
<b>Revenues</b>				
Property taxes	\$ 707,738	\$ -	\$ 430,147	\$ -
Gross receipt taxes	4,903,466	-	-	-
Gas taxes	46,975	-	-	-
Franchise taxes	267,946	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	475,200	-	-	-
State capital grants	-	-	-	-
Federal operating grants	-	1,112,823	-	-
Federal capital grants	-	-	-	-
Charges for services	63,579	-	-	-
Licenses and fees	131,365	-	-	-
Interest income	1,615	-	-	9,301
Miscellaneous income	94,503	-	-	-
<b>Total revenue</b>	<u>6,692,387</u>	<u>1,112,823</u>	<u>430,147</u>	<u>9,301</u>
<b>Expenditures</b>				
Current:				
General government	1,448,055	-	41,274	-
Public safety	3,167,400	-	-	-
Public works	932,762	-	-	-
Culture and recreation	652,613	645,108	-	-
Health and welfare	-	-	-	-
Capital outlay	102,960	90,943	-	-
Debt service:				
Principal	-	-	275,000	713,951
Interest	-	-	127,237	176,850
<b>Total expenditures</b>	<u>6,303,790</u>	<u>736,051</u>	<u>443,511</u>	<u>890,801</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>388,597</u>	<u>376,772</u>	<u>(13,364)</u>	<u>(881,500)</u>
<b>Other financing sources (uses)</b>				
Transfers in	290,000	-	333,494	769,655
Transfers out	(437,028)	-	-	(2,056)
<b>Total other financing sources (uses)</b>	<u>(147,028)</u>	<u>-</u>	<u>333,494</u>	<u>767,599</u>
Net change in fund balance	241,569	376,772	320,130	(113,901)
Fund balance - beginning of year	1,197,581	1,505,903	232,163	1,336,913
<b>Fund balance - end of year</b>	<u>\$ 1,439,150</u>	<u>\$ 1,882,675</u>	<u>\$ 552,293</u>	<u>\$ 1,223,012</u>

See Independent Auditors' Report and Notes to Financial Statements

Road Infrastructure Improvements Capital Projects Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ 1,137,885
-	1,843,385	6,746,851
-	61,069	108,044
-	-	267,946
-	58,737	58,737
-	359,789	834,989
62,297	470,407	532,704
-	37,202	1,150,025
-	156,391	156,391
-	280,243	343,822
-	81,077	212,442
-	-	10,916
1,456	21,219	117,178
<u>63,753</u>	<u>3,369,519</u>	<u>11,677,930</u>
-	2,184	1,491,513
-	244,310	3,411,710
814,957	414,004	2,161,723
-	343,667	1,641,388
-	103,139	103,139
1,466,062	760,268	2,420,233
-	250,000	1,238,951
-	199,000	503,087
<u>2,281,019</u>	<u>2,316,572</u>	<u>12,971,744</u>
<u>(2,217,266)</u>	<u>1,052,947</u>	<u>(1,293,814)</u>
301,593	709,999	2,404,741
-	(1,586,375)	(2,025,459)
<u>301,593</u>	<u>(876,376)</u>	<u>379,282</u>
(1,915,673)	176,571	(914,532)
<u>5,120,145</u>	<u>1,698,595</u>	<u>11,091,300</u>
<u>\$ 3,204,472</u>	<u>\$ 1,875,166</u>	<u>\$ 10,176,768</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 \$ (914,532)

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	2,420,233
Depreciation expense	(2,532,376)

Governmental funds report City pension and OPEB contributions as  
expenditures. However in the statement of activities, the cost of pension benefits  
earned, net of employee contributions, is reported as pension and OPEB  
expense:

Change in net pension liability	(566,308)
Change in OPEB liability	(7,604)

In governmental funds delinquent property taxes collected within sixty days after  
year end are not considered "available" revenues and are considered to be  
deferred inflows in the fund financial statements, but are considered revenues in  
the Statement of Activities 67,307

Expenses reported in the statement of activities that do not require the use of  
current financial resources and therefore are not reported as expenditures in the  
governmental funds:

Decrease in accrued interest	7,271
Increase in accrued compensated absences	(20,262)

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,  
governmental funds report the effect of premiums and similar items when debt is  
first issued, whereas these amounts are deferred and amortized in the statement  
of activities:

Principal payments on bonds and loans payable	1,238,951
Amortization of deferred outflows related to debt refunding	(27,066)
Amortization of bond premiums	40,923
Amortization of bond discounts	(6,162)
Amortization of bond insurance cost	(4,068)

Change in Net Position of Governmental Activities	<u>\$ (303,693)</u>
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## STATE OF NEW MEXICO

Exhibit C-1

## City of Belen

## 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
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 684,143	\$ 684,143	\$ 768,882	\$ 84,739
Gross receipts taxes	4,300,000	4,300,000	4,704,062	404,062
Franchise tax	212,000	212,000	221,631	9,631
Gasoline and motor vehicle	52,000	52,000	46,975	(5,025)
Other	-	-	-	-
<b>Intergovernmental income:</b>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	316,125	498,137	498,274	137
State capital grants	-	-	-	-
Charges for services	66,000	66,000	63,579	(2,421)
Licenses and fees	116,200	134,163	131,365	(2,798)
Interest income (loss)	3,000	3,000	1,615	(1,385)
Miscellaneous	117,000	126,850	94,728	(32,122)
<b>Total revenue</b>	<u>5,866,468</u>	<u>6,076,293</u>	<u>6,531,111</u>	<u>454,818</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,479,330	1,659,966	1,523,726	136,240
Public safety	3,215,315	3,318,213	3,167,400	150,813
Public works	926,038	1,046,591	912,167	134,424
Culture and recreation	585,957	657,259	652,613	4,646
Capital outlay	55,000	148,337	148,335	2
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>6,261,640</u>	<u>6,830,366</u>	<u>6,404,241</u>	<u>426,125</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(395,172)</u>	<u>(754,073)</u>	<u>126,870</u>	<u>880,943</u>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	395,172	754,073		
Transfers in	482,924	482,924	290,000	(192,924)
Transfers out	(107,994)	(274,741)	(274,741)	-
<b>Total other financing sources (uses)</b>	<u>374,930</u>	<u>208,183</u>	<u>15,259</u>	<u>(192,924)</u>
Net Change in fund balance	(20,242)	(545,890)	142,129	688,019
Fund balance - beginning of year			1,197,581	
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,339,710</u>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			142,129	
Adjustments to revenue for changes in receivables			161,276	
Adjustment to expenditures for changes in payables			(61,836)	
<b>Net Change in fund balance (GAAP basis)</b>			<u>\$ 241,569</u>	

See Independent Auditors' Report and Notes to Financial Statements

## STATE OF NEW MEXICO

Exhibit C-2

## City of Belen

58<sup>th</sup> SOW Operations

**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
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes	-	-	-	-
Franchise taxes	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
<b>Intergovernmental income:</b>				
Federal operating grants	1,151,470	1,151,470	741,882	(409,588)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<u>1,151,470</u>	<u>1,151,470</u>	<u>741,882</u>	<u>(409,588)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,900,000	1,900,000	594,319	1,305,681
Capital outlay	280,000	280,000	73,732	206,268
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>2,180,000</u>	<u>2,180,000</u>	<u>668,051</u>	<u>1,511,949</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,028,530)</u>	<u>(1,028,530)</u>	<u>73,831</u>	<u>(1,921,537)</u>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	1,028,530	1,028,530	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	(1,028,530)	(1,028,530)	73,831	1,102,361
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,831</u>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			<u>73,831</u>	
Adjustments to revenue for increase in receivables			370,941	
Adjustment to expenditures for increase in payables			(68,000)	
<b>Net Change in fund balance (GAAP basis)</b>			<u>\$ 376,772</u>	

See Independent Auditors' Report and Notes to Financial Statements

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

Exhibit D-1

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 82,846	\$ 1,050,624	\$ 325,797	\$ 1,459,267
Restricted cash and cash equivalents	-	54,251	-	54,251
Other receivables	24,099	-	-	24,099
Accounts receivable, net	269,210	359,937	292,020	921,167
Due from other funds	-	239,722	-	239,722
<b>Total current assets</b>	<u>376,155</u>	<u>1,704,534</u>	<u>617,817</u>	<u>2,698,506</u>
<b>Noncurrent assets</b>				
Capital Assets	28,672,986	18,637,237	803,063	48,113,286
Less: Accumulated depreciation	(16,786,137)	(6,776,979)	(191,121)	(23,754,237)
<b>Total noncurrent assets</b>	<u>11,886,849</u>	<u>11,860,258</u>	<u>611,942</u>	<u>24,359,049</u>
<b>Deferred outflows of resources</b>				
Deferred outflows from pension	104,990	202,874	38,289	346,153
Deferred outflows from OPEB	5,749	11,108	2,097	18,954
<b>Total deferred outflows of resources</b>	<u>110,739</u>	<u>213,982</u>	<u>40,386</u>	<u>365,107</u>
<b>Total assets, and deferred outflows of resources</b>	<u>\$ 12,373,743</u>	<u>\$ 13,778,774</u>	<u>\$ 1,270,145</u>	<u>\$ 27,422,662</u>
<b>Liabilities, deferred inflows and net position</b>				
<b>Liabilities</b>				
Accounts payable	\$ 11,042	\$ 443,596	\$ 93,316	\$ 547,954
Accrued salaries and benefits	5,992	10,417	3,263	19,672
Accrued interest	-	2,101	-	2,101
Due to other funds	200,000	-	-	200,000
Notes and bonds payable	-	76,815	-	76,815
Compensated absences	12,245	17,366	3,850	33,461
Landfill closure liability	-	-	21,930	21,930
<b>Total current liabilities</b>	<u>229,279</u>	<u>550,295</u>	<u>122,359</u>	<u>901,933</u>
<b>Noncurrent liabilities</b>				
Customer deposits	-	212,835	-	212,835
Notes and bonds payable	-	1,394,651	-	1,394,651
Compensated absences	5,422	13,150	1,504	20,076
Landfill closure liability	-	-	214,192	214,192
Net pension liability	316,698	611,961	115,496	1,044,155
Net OPEB liability	153,362	296,344	55,929	505,635
<b>Total noncurrent liabilities</b>	<u>475,482</u>	<u>2,528,941</u>	<u>387,121</u>	<u>3,391,544</u>
<b>Total Liabilities</b>	<u>704,761</u>	<u>3,079,236</u>	<u>509,480</u>	<u>4,293,477</u>
<b>Deferred inflows of resources</b>				
Deferred inflows from pension	41,125	79,466	14,998	135,589
Deferred inflows from OPEB	34,905	67,447	12,729	115,081
<b>Total deferred inflows of resources</b>	<u>76,030</u>	<u>146,913</u>	<u>27,727</u>	<u>250,670</u>
<b>Net position</b>				
Net investment in capital asset	11,886,849	10,388,792	611,942	22,887,583
Restricted for:				
Capital projects	-	54,251	-	54,251
Unrestricted	(293,897)	109,582	120,996	(63,319)
<b>Total net position</b>	<u>11,592,952</u>	<u>10,552,625</u>	<u>732,938</u>	<u>22,878,515</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 12,373,743</u>	<u>\$ 13,778,774</u>	<u>\$ 1,270,145</u>	<u>\$ 27,422,662</u>

See Independent Auditors' Report and Notes to Financial Statements

## City of Belen

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018**

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 1,656,744	\$ 1,985,409	\$ 1,546,059	\$ 5,188,212
<b>Total operating revenues</b>	<u>1,656,744</u>	<u>1,985,409</u>	<u>1,546,059</u>	<u>5,188,212</u>
<b>Operating expenses:</b>				
Depreciation and amortization	689,358	370,060	18,170	1,077,588
Personnel services	423,972	753,187	177,038	1,354,197
Contractual services	16,720	51,991	878,902	947,613
Supplies	-	7,023	-	7,023
Maintenance and Materials	157,865	847,227	171,445	1,176,537
Utilities	149,914	140,813	75,544	366,271
Miscellaneous	132,630	244,762	126,522	503,914
<b>Total operating expense</b>	<u>1,570,459</u>	<u>2,415,063</u>	<u>1,447,621</u>	<u>5,433,143</u>
<b>Operating income (loss)</b>	<u>86,285</u>	<u>(429,654)</u>	<u>98,438</u>	<u>(244,931)</u>
<b>Non-operating revenues (expense):</b>				
Gross receipts taxes	156,009	223,284	-	379,293
Interest income	-	119	-	119
Interest expense	-	(4,577)	-	(4,577)
Miscellaneous income (expense)	-	6,135	-	6,135
Bond issuance expense	-	(12,930)	-	(12,930)
<b>Total non-operating revenues (expense)</b>	<u>156,009</u>	<u>212,031</u>	<u>-</u>	<u>368,040</u>
<b>Income (loss) before contributions and transfers</b>	<u>242,294</u>	<u>(217,623)</u>	<u>98,438</u>	<u>123,109</u>
Transfers in	-	9,746	-	9,746
Transfers out	(183,359)	(175,669)	(30,000)	(389,028)
State and federal capital grants	300,000	1,150,949	-	1,450,949
<b>Total contributions and transfers</b>	<u>116,641</u>	<u>985,026</u>	<u>(30,000)</u>	<u>1,071,667</u>
<b>Change in Net Position</b>	358,935	767,403	68,438	1,194,776
<b>Net Position, beginning of year</b>	<u>11,416,186</u>	<u>10,137,231</u>	<u>730,935</u>	<u>22,284,352</u>
<b>Restatement (Note 17)</b>	<u>(182,169)</u>	<u>(352,009)</u>	<u>(66,435)</u>	<u>(600,613)</u>
<b>Net Position - beginning of the year, restated</b>	<u>11,234,017</u>	<u>9,785,222</u>	<u>664,500</u>	<u>21,683,739</u>
<b>Net Position - end of the year</b>	<u>\$ 11,592,952</u>	<u>\$ 10,552,625</u>	<u>\$ 732,938</u>	<u>\$ 22,878,515</u>

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

Exhibit D-3

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Cash flow from operating activities</b>				
Cash received from customers	\$ 1,506,263	\$ 1,814,652	\$ 1,402,149	\$ 4,723,064
Cash payments to employees for services	(395,550)	(698,148)	(176,262)	(1,269,960)
Cash payments to suppliers for goods and services	(479,017)	(985,245)	(1,265,360)	(2,729,622)
<b>Net cash provided from operating activities</b>	<u>631,696</u>	<u>131,259</u>	<u>(39,473)</u>	<u>723,482</u>
<b>Cash flow from noncapital financing activities</b>				
Intergovernmental taxes and grants	431,910	1,374,233	-	1,806,143
Miscellaneous	-	6,135	-	6,135
Transfers	16,641	(405,645)	(30,000)	(419,004)
<b>Net cash flows provided (used) by noncapital financing activities</b>	<u>448,551</u>	<u>974,723</u>	<u>(30,000)</u>	<u>1,393,274</u>
<b>Cash Flows from capital and related financing activities</b>				
Interest paid	-	(4,577)	-	(4,577)
Principal payments	-	(12,770)	-	(12,770)
Bond proceeds	-	1,388,600	-	1,388,600
Acquisition of capital assets	(1,137,726)	(3,789,253)	(137,300)	(5,064,279)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,137,726)</u>	<u>(2,418,000)</u>	<u>(137,300)</u>	<u>(3,693,026)</u>
<b>Cash flows from investing activities</b>				
Interest income	-	119	-	119
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>
Net increase (decrease) in cash and cash equivalents	(57,479)	(1,311,899)	(206,773)	(1,576,151)
Cash & cash equivalents - beginning of year	140,325	2,416,774	532,570	3,089,669
<b>Cash &amp; cash equivalents - end of year</b>	<u>\$ 82,846</u>	<u>\$ 1,104,875</u>	<u>\$ 325,797</u>	<u>\$ 1,513,518</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 86,285	\$ (429,654)	\$ 98,438	\$ (244,931)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>				
Depreciation	689,358	370,060	18,170	1,077,588
Employer pension and OPEB contributions	26,318	50,853	9,596	86,767
<b>Changes in assets &amp; liabilities:</b>				
Receivables	(150,481)	(178,277)	(143,910)	(472,668)
Inventory	-	1,000	-	1,000
Accounts payable	(21,888)	305,571	(8,354)	275,329
Accrued salaries and benefits	107	736	170	1,013
Compensated absences	1,997	3,450	606	6,053
Customer deposits	-	7,520	-	7,520
Net change in landfill liability	-	-	(14,189)	(14,189)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 631,696</u>	<u>\$ 131,259</u>	<u>\$ (39,473)</u>	<u>\$ 723,482</u>

See Independent Auditors' Report and Notes to Financial Statements

## **FIDUCIARY FUNDS**

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**STATE OF NEW MEXICO**  
**City of Belen**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2018**

Exhibit-E

	<b>Balance June 30, 2018</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 370,000
<b>Total assets</b>	<u>\$ 370,000</u>
<b>Liabilities</b>	
Deposits held in trust for others	\$ 370,000
<b>Total liabilities</b>	<u>\$ 370,000</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

The City of Belen (City) was incorporated in 1918. 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, housing, 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 Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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 Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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 Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

*58th SOW Operations Special Revenue fund* is used to account for revenues received from the United States Airforce. These revenues are used based on a joint agreement between the City and the United States Airforce for the City to maintain the runway and the Airforce to have use of the runway for training purposes.

*GRT Revenue Bonds Debt Service Fund* is used to account for the proceeds from the issuance of the Series 2008 Gross Receipts Tax Revenue Bonds that were refunded with series 2016 Gross Receipts Tax Revenue Bonds used to fund various projects within the City, and the related debt service payments. Authorization is by the City Council.

Debt Service funds are 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.

*Roads Infrastructure Improvements Capital Projects Fund* is used to account for improvements to various roadways and infrastructure assets owned by the City. Authorization is by the City Council.

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

The *Wastewater Fund* accounts for fees generated from charges for the operation of water treatment facilities.

The *Water Fund* accounts for fees generated from charges for the distribution of water.

The *Solid Waste Fund* accounts for fees generated from charges for trash collection.

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.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

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.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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)**

**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. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	10
Furniture and fixtures	10
Vehicles	10
Infrastructure	20-40
Wastewater System	20-30

**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.

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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)**

**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, Retirement healthcare (OPEB liabilities), the deferred amount on bond refunding and deferred amounts related to amounts paid for an economic development project. Deferred inflows are reported in the governmental funds regarding property tax revenue. These amounts are deferred and recognized as an inflow 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:** City employees accrue sick leave at the rate of 15 days per year. The maximum amount of accrual of sick leave is 1,040 hours per calendar year. Employees are only paid sick leave when they have met the requirements for retirement and are not paid if they are dismissed or resigned prior to meeting those requirements. Accordingly, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

Employees earn vacation leave at various rates depending on the employee's length of service. Employees with less than 10 years, between 10 and 20 years and more than 20 years accrue 15, 20, and 25 days per year, respectively. The maximum accrual of vacation leave is 160 hours per calendar year.

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.

**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.



**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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)**

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 reported \$761,090 in non-spendable fund balances, related to inter-fund loans in the Debt Service Fund, 1/8 GRT Infrastructure, 1/2 GRT Infrastructure fund and the Jail Fund.

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.

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

At June 30, 2018, the City has presented restricted and committed fund balance on the governmental funds balance sheet in the amount of \$8,975,528 for various City operations as restricted and committed 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 18 and 19.

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.

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.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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)**

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 committed fund balance on the governmental funds balance sheet in the amount of \$561,698 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 Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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, the state investment pool, money market accounts, and United States Government obligations. The City is not aware of any invested funds that did not meet the 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 collateral deposited as security or by bond given by the financial institution.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended 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, \$10,238,664 of the City's bank balance of \$10,645,498 was exposed to custodial credit risk. \$6,349,771 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 \$1,230,439 was uninsured and uncollateralized at June 30, 2018.

	Wells Fargo	My Bank	Bank of Albuquerque	Total
Deposits	\$ 10,488,664	\$ 117,834	\$ 39,000	\$ 10,645,498
Less: FDIC Coverage	<u>(250,000)</u>	<u>(117,834)</u>	<u>(39,000)</u>	<u>(406,834)</u>
Total uninsured public funds	<u>10,238,664</u>	<u>\$ -</u>	<u>-</u>	<u>10,238,664</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	6,349,771	-	-	6,349,771
Uninsured and uncollateralized	<u>\$ 3,888,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,888,893</u>
Collateral requirements (50% of uninsured funds)	\$ 5,119,332	\$ -	\$ -	\$ 5,119,332
Pledged Collateral	6,349,771	-	-	6,349,771
Over (under) collateralized	<u>\$ 1,230,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,230,439</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

Cash and cash equivalents per Exhibit A-1	\$ 3,109,195
Restricted cash and cash equivalents per Exhibit A-1	7,567,907
Agency cash Exhibit E	<u>370,000</u>
Total cash and cash equivalents	<u>\$ 11,047,102</u>
Add: Outstanding checks	\$ 204,977
Less: Outstanding deposits	(6,644)
Less: Petty cash	(600)
Less: Cash held at the NMFA	<u>(599,337)</u>
Bank balance of deposits	<u><u>\$ 10,645,498</u></u>

**NOTE 4. Accounts and Taxes Receivable**

Receivables as of June 30, 2018 are as follows:

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Total</b>
Property taxes	\$ 172,331	\$ -	\$ 172,331
Gross receipts taxes	1,202,862	24,099	1,226,961
Franchise taxes	46,315	-	46,315
Gasoline taxes	34,385	-	34,385
Lodgers taxes	-	-	-
<b>Other receivables:</b>			
Customer receivables		960,985	960,985
State and federal grants	748,188		748,188
Total gross receivables	<u>\$ 2,204,081</u>	<u>\$ 985,084</u>	<u>\$ 3,189,165</u>
Less: allowance for customer receivables	\$ -	(39,818)	\$ (39,818)
Receivables, Net	<u><u>\$ 2,204,081</u></u>	<u><u>\$ 945,266</u></u>	<u><u>\$ 3,149,347</u></u>

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 \$93,998 and is reclassified as deferred inflow of resources in the governmental fund financial statements.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The City records temporary interfund receivables and payables to enable the funds to operate until grant monies are available.

The composition of interfund balances during the year ended June 30, 2018 is as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Amount</u>
1/8 GRT Infrastructure	Multi-Purpose Park	492,440
1/2 GRT Infrastructure	Alexander Airport	125,650
Jail	Judicial	10,000
Debt Service	2005 GRT Revenue Bonds	133,000
Water	Wastewater	200,000
Water	General Fund	39,722
		<u>\$ 1,000,812</u>

Operating transfers are made to close out funds and supplement other funding sources in the normal course of operations.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
GRT Revenue Bonds	General Fund	\$ 162,287
GRT Revenue Bonds	Confidential Funds	4,460
Camino Del Llano	1/2 GRT Infrastructure	188,902
Water	Debt Service	2,056
Water	Waste Water	7,690
Debt Service	General Fund	50,558
RSVP	General Fund	32,436
Confidential Fund	General Fund	5,000
Property Abatement	General Fund	20,000
GRT Revenue Bonds	General Fund	166,747
Debt Service	Fire Protection	30,490
Capital Improvements Fund	1/8 GRT Infrastructure	1,593
2005 GRT Revenue Bonds	1/8 GRT Infrastructure	463,661
General Fund	1/8 GRT Infrastructure	200,000
Debt Service	1/2 GRT Infrastructure	397,269
Road Infrastructure Improvements	1/2 GRT Infrastructure	300,000
Debt Service	Waste Water	145,669
General Fund	Waste Water	30,000
Debt Service	Waste Water	145,669
General Fund	Waste Water	30,000
General Fund	Solid Waste	30,000
		<u>\$ 2,414,487</u>

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**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):

<b>Governmental Activities:</b>	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>CIP Transfers</b>	<b>Balance June 30, 2018</b>
Capital assets not being depreciated:				
Land	\$ 8,602,595	\$ -	\$ -	\$ 8,602,595
Construction in progress (CIP)	260,715	2,025,348	(535,705)	1,750,358
Total capital assets, not depreciated	<u>8,863,310</u>	<u>2,025,348</u>	<u>(535,705)</u>	<u>10,352,953</u>
Capital assets depreciated:				
Buildings	27,011,588	196,438	-	27,208,026
Equipment	2,925,492	9,740	-	2,935,232
Furniture Fixtures	569,171	31,960	-	601,131
Vehicles	2,735,101	44,624	-	2,779,725
Infrastructure	54,813,261	112,123	535,705	55,461,089
Total capital assets, depreciated	<u>88,054,613</u>	<u>394,885</u>	<u>535,705</u>	<u>88,985,203</u>
Total capital assets	<u>96,917,923</u>			<u>99,338,156</u>
Less accumulated depreciation:				
Buildings	14,466,173	821,607	-	15,287,780
Equipment	2,398,794	139,200	-	2,537,994
Furniture Fixtures	500,048	45,324	-	545,372
Vehicles	1,663,477	189,544	-	1,853,021
Infrastructure	42,946,334	1,336,701	-	44,283,035
Total accumulated depreciation	<u>61,974,826</u>	<u>2,532,376</u>	<u>-</u>	<u>64,507,202</u>
Capital Assets, Net	<u>\$ 34,943,097</u>			<u>\$ 34,830,954</u>

Depreciation expense was charged to the following Governmental Activities:

General Government	\$ 428,751
Public Safety	980,732
Public Works	621,410
Culture and Recreation	471,834
Health and welfare	29,648
Total depreciation expense, governmental activities	<u>\$ 2,532,376</u>

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**NOTE 6. Capital Assets (continued)**

<b>Business-type activities:</b>	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>CIP Transfers</b>	<b>Balance June 30, 2018</b>
Capital assets not depreciated:				
Land and water rights	\$ 2,696,019		\$ -	\$ 2,696,019
Construction in progress	529,261	4,194,128	(4,061,764)	661,625
Total capital assets not depreciated	<u>3,225,280</u>	<u>4,194,128</u>	<u>(4,061,764)</u>	<u>3,357,644</u>
Capital asset depreciated:				
Equipment	2,693,419	469,609	-	3,163,028
Buildings	9,992,982	314,739	-	10,307,721
Infrastructure	21,763,305	85,803	4,061,764	25,910,872
Waste Water System	5,374,021	-	-	5,374,021
Total capital assets, depreciated	<u>39,823,727</u>	<u>870,151</u>	<u>4,061,764</u>	<u>44,755,642</u>
Total capital assets	<u>43,049,007</u>			<u>48,113,286</u>
Less accumulated depreciation:				
Equipment	1,495,903	143,469	-	1,639,372
Buildings	6,989,577	248,001	-	7,237,578
Infrastructure	11,358,155	506,983	-	11,865,138
Waste Water System	2,833,014	179,135	-	3,012,149
Total accumulated depreciation	<u>22,676,649</u>	<u>1,077,588</u>	<u>-</u>	<u>23,754,237</u>
Capital Assets, Net	<u>\$ 20,372,358</u>			<u>\$ 24,359,049</u>

**NOTE 7. Economic Development Project**

During the fiscal year ended June 30, 2017 the City traded 31 acre feet of consummative water rights with a fair market value of approximately \$434,000, and approximately 27 acres of undeveloped land with a fair market value of approximately \$66,000 to acquire approximately 14 acres of land with a fair market value of approximately \$500,000 from Tabet Lumber CO, INC. The City then executed an agreement with Resin Partners, INC (Keter) to exchange the land to Keter on March 29, 2017. As part of this agreement the City further agreed to act as the fiscal agent for the New Mexico Economic Development Department for an additional transfer of \$2,000,000 to Keter which will occur in fiscal year 2018. In return for the above consideration Keter has agreed to create, hire and maintain the number of jobs set forth in the table below under the column captioned "Target Job Number" on the Job Measurement Dates set forth below. If Keter does not achieve the job numbers set forth under the column captioned "Minimum Job Number" in the table below on each of the specified Job Measurement Dates, then Keter shall be required to pay a Clawback penalty (as defined below) to the City which will be applied in the percentage set forth in the table below:



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**NOTE 7. Economic Development Project (continued)**

<u>Job Determination Date</u>	<u>Target Job Number</u>	<u>Minum Job Number</u>	<u>Clawback Penalty if Minum Job Number is not met</u>
March 31, 2018	25	22	100% of Clawback Penalty
March 31, 2019	75	66	100% of Clawback Penalty
March 31, 2020	125	109	100% of Clawback Penalty
March 31, 2021	175	153	75% of Clawback Penalty
March 31, 2022	175	153	50% of Clawback Penalty

The "Clawback Penalty" is a penalty that Keter will be required to pay the City upon Keter's failure to meet the Minimum Job Target on the applicable Job Determination Date, if such Minimum Job Target is not otherwise reached by Keter. The Clawback penalty shall be equal to the product of the Percentage Hiring Shortfall, multiplied by the total City contribution paid to Keter as of that time. On March 31, 2018 Keter maintained a target job number of 100 jobs.

As security for the faithful performance and payment of all of Keter's obligations under this Agreement, Keter furnished the City a letter of credit in the principal amount of \$500,000, an amount equal to the value of the City contribution. The City may draw on the letter of credit in order to satisfy any unpaid Clawback penalty which shall become due and payable.

As of June 30, 2018 the City reported a deferred outflow of resources in the amount of \$500,000 in the Statement of Net Position which will be amortized in accordance with the percentage of claw back penalty as required by GASB 33 financial reporting for non-exchange transactions.

**NOTE 8. Long-term Debt**

**Governmental Activities:**

During the year ended June 30, 2017, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Revenue Bonds	\$ 10,729,000	\$ -	\$ 567,000	10,162,000	\$ 572,075
NMFA Loans	5,737,368	-	624,515	5,112,853	640,048
Capital leases	47,436	-	47,436	-	-
Total Loans Payable	<u>\$ 16,513,804</u>	<u>\$ -</u>	<u>\$ 1,238,951</u>	<u>\$ 15,274,853</u>	<u>\$ 1,212,123</u>
Compensated Absences	<u>\$ 158,969</u>	<u>\$ 173,969</u>	<u>\$ 153,707</u>	<u>\$ 179,231</u>	<u>\$ 153,707</u>
Total Long Term Debt	<u>\$ 16,672,773</u>	<u>\$ 173,969</u>	<u>\$ 1,392,658</u>	<u>\$ 15,454,084</u>	<u>\$ 1,365,830</u>

**Refunding Revenue Bonds:**

In November of 2016 the City refunded the 2008 gross receipt tax (GRT) revenue bonds with series 2016 GRT revenue bonds. The difference between the cash flow required to service the 2008 and the 2016 GRT revenue bonds resulted in a savings of approximately \$1,544,136 over the next 17 years.

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

**Governmental Activities (continued):**

During fiscal year 2017 the City issued an additional \$5,165,000 that is secured by property tax revenues of the City. These funds are going to be used for the construction of a new fire station and sidewalk improvements in the City.

As of June 30, 2018 the City had three revenue bonds outstanding. For the Series 2016 GRT refunding revenue bonds and the series 2016 GRT revenue bonds, the City pledged revenues from the State-Shared Gross Receipts Tax revenues. For the Series 2012 Fire Protection Revenue Bond, the City pledged revenues from the Fire Protection funds disbursed by the State of New Mexico to the City. The revenue bonds are as follows:

**Revenue Bonds:**

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2018
Series 2012 Fire Protection Revenue Bonds	0-Jan-00	13-Jul-22	3.50%	427,000	\$ 172,000
Series 2016 GRT Bonds	20-Jul-16	1-Aug-31	2.50 - 5.00%	5,165,000	4,890,000
Series 2016 GRT Refunding Bonds	30-Nov-16	1-Jun-33	2.00 - 4.00%	5,725,000	5,100,000
Total					<u>\$ 10,162,000</u>

The annual requirements to amortize the gross receipts revenue bonds outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 572,075	\$ 317,520	\$ 889,595
2020	593,197	300,397	893,594
2021	619,359	281,110	900,469
2022	635,562	259,408	894,970
2023	656,807	237,238	894,045
2024-2028	3,430,000	845,950	4,275,950
2029-2033	3,655,000	270,019	3,925,019
Total	<u>\$ 10,162,000</u>	<u>\$ 2,511,642</u>	<u>\$ 12,673,642</u>

**NMFA Loans:**

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. This revenue is subject to intercept agreements. The City has also entered into two loan agreements with the New Mexico Environment Department, wherein the City pledged revenue derived from State-Shared Gross Receipts Taxes and net water and sewer system to cover debt service. The various NMFA and NMED Loans are as follows:

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**City of Belen**  
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**NOTE 8. Long-term Debt (continued)**

**Governmental Activities (continued):**

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2018
NMFA Reinken Road & Main Street	7-Nov-01	1-May-26	0.00%	4,779,793	\$ 66,684
NMED CWSRF Loan	30-Dec-03	30-Dec-22	2.00%	4,049,684	1,167,362
NMFA Refinance Reinken	8-Jul-11	1-May-26	1.45-4.02%	3,355,652	1,929,947
NMFA Refinancing WW/W	29-Apr-11	1-May-32	1.78-4.83%	2,220,008	1,199,725
CWSRF Loan	Various	11-Sep-36	2.00%	781,290	749,135
					<u>\$ 5,112,853</u>

**Capital Lease:**

The City purchased a street sweeper under a capital lease agreement for \$222,548 and paid off this capital lease agreement in full in March of 2018.

The annual requirements to amortize the NMFA Loans as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 640,048	\$ 154,158	\$ 794,206
2020	654,919	138,281	793,200
2021	561,519	121,047	682,566
2022	577,106	106,292	683,398
2023	591,516	90,576	682,092
2024-2028	1,353,180	243,395	1,596,575
2029-2033	552,627	72,695	625,322
2034-2038	181,938	9,188	191,126
Total	<u>\$ 5,112,853</u>	<u>\$ 935,632</u>	<u>\$ 6,048,485</u>

**Compensated Absences**

Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year June 30, 2018, compensated absences increased \$20,262 from the prior year accrual. In prior years, the general fund was typically used to liquidate such liabilities.

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

**Business-Type Activities (continued)**

**Business-Type Activities**

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant, and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Loans and Notes Payable	\$ 82,706	\$ 1,401,530	\$ 12,770	\$ 1,471,466	\$ 76,815
Landfill Closure Liability	250,311	-	14,189	236,122	21,930
Compensated Absences	47,484	39,514	33,461	53,537	33,461
Total Long Term Debt	<u>\$ 380,501</u>	<u>\$ 1,441,044</u>	<u>\$ 60,420</u>	<u>\$ 1,761,125</u>	<u>\$ 132,206</u>

In 1990, the City entered into a loan agreement with the United States Department of the Interior – Bureau of Reclamation securing 500 acre-feet of water rights from the San Juan-Chama Water Project. The agreement requires the City to reimburse the project for a pro-rata share of construction costs and annual operating costs. The fixed construction costs required annual payments of \$15,291 extending through 2023.

During the fiscal year 2018 the City borrowed monies from the NMFA in the amount \$1,305,930 to upgrade and replace water meters in the City. This loan agreement is secured by the operating revenues of the Water Fund to service the debt.

During fiscal year 2018 the City entered in to a loan grant agreement with the NMFA in the amount of \$95,600 and \$860,400 respectively to replace water well 5 in the City. The loan agreement is secured by the operating revenues of the Water Fund.

The annual requirements to amortize the NMFA Loans and the San Juan Project Loans as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 76,815	\$ 18,448	\$ 95,263
2020	77,734	17,530	95,264
2021	78,307	16,957	95,264
2022	78,894	16,370	95,264
2023	79,498	15,769	95,267
2024-2028	325,710	74,153	399,863
2029-2033	362,042	58,336	420,378
2034-2038	392,466	22,813	415,279
Total	<u>\$ 1,471,466</u>	<u>\$ 240,376</u>	<u>\$ 1,711,842</u>

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

**Business-Type Activities (continued)**

The City reports a liability for post closure care costs in connection with its closed and inactive landfill. The City did not use the landfill for the year ending June 30, 2018. The estimate of closure and post-closure costs has a balance of \$236,122. The City has no other responsibility for landfill activity.

As outlined in 20 NMAC 9.1 502.B, post closure maintenance activities will continue for a period of 30 years after original closure of the landfill. Inspection and maintenance reports will be compiled by the City of Belen and submitted to the NMED in the annual monitoring reports. Periodically, the City will obtain an updated Closure and Post Closure Care plan in which the estimated liability has the potential to change due to inflation or deflation, technology, or applicable laws or regulations.

**Compensated Absences**

Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year June 30, 2018, compensated absences increased \$6,053 in business-type activities from the prior year accrual. In prior years, the proprietary fund associated with these liabilities has been used to liquidate them.

**NOTE 9. Other Required Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance/net position of individual funds. The deficit fund balances as of June 30, 2018 were as follows:

<u>Fund</u>	<u>Amount</u>
Judicial Fund	\$ (9,720)
GRT Revenue Bonds	\$ (117,461)
Alexander Airport	\$ (157,815)
Multi-Purpose Park	\$ (162,026)

- B. Designated cash appropriations exceeded available balances in the following funds for the year ended June 30, 2018:

<u>Fund</u>	<u>Amount</u>
Park Capital Projects	\$ 114,509
GRT Revenue Bonds	\$ 96,450
Road Infrastructure Improvements	\$ 20,841

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**NOTE 10. Risk Management**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions, and natural disasters. The City purchases private insurance to manage these risks.

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions, and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool.

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 not 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.

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

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**NOTE 11. 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](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](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 The Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$407,131 for the year ended June 30, 2018. The City did pick-up portions of the employee's contributions.

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**NOTE 11. Pension Plan- Public Employees Retirement Association (continued)**

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

<b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b>						
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	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
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%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
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%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
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%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
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%



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**NOTE 11. 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 \$3,782,855 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .2753 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 General Pension expense of \$280,533. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 148,641	\$ 193,746
Changes of assumptions	174,446	39,091
Net difference between projected and actual earnings on pension plan investments	310,360	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	304,009	17,682
City's contributions subsequent to the measurement date	<u>359,362</u>	<u>-</u>
Total	<u>\$ 1,296,818</u>	<u>\$ 250,519</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 11. Pension Plan- Public Employees Retirement Association (continued)**

\$354,836 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:

2019	\$	211,989
2020		448,287
2021		117,362
2022		(90,701)
Thereafter		-
Total	<u>\$</u>	<u>686,937</u>

For PERA Fund Division Municipal Police, at June 30, 2018, the City reported a liability of \$2,407,266 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .4333 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 \$178,520. 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	\$ 146,206	\$ 449,774
Changes of assumptions	143,224	55,977
Net difference between projected and actual earnings on pension plan investments	193,872	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	165,909	41,459
City's contributions subsequent to the measurement date	<u>245,351</u>	<u>-</u>
Total	<u>\$ 894,562</u>	<u>\$ 547,210</u>

The City's contributions of \$245,361 are reported as deferred outflows of resources related to pensions, resulting in the City's 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:

**STATE OF NEW MEXICO**  
**City of Belen**  
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**NOTE 11. Pension Plan- Public Employees Retirement Association (continued)**

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 17,297
2020	167,826
2021	(26,437)
2022	(56,685)
Thereafter	-
Total	<u>\$ 102,001</u>

For PERA Fund Division Municipal Fire, at June 30, 2018, the City reported a liability of \$1,760,488 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was .3077 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 \$130,556. At June 30, 2018, the City reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,484	\$ 220,443
Changes of assumptions	69,599	11,037
Net difference between projected and actual earnings on pension plan investments	66,087	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	109,471	3,215
City's contributions subsequent to the measurement date	141,725	-
Total	<u>\$ 444,366</u>	<u>\$ 234,695</u>

\$141,725 reported as deferred outflows of resources related to pensions resulting in the City's 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 Ended</u>	<u>Amount</u>
2019	\$ 51,562
2020	72,269
2021	(36,845)
2022	(19,040)
Thereafter	-
Total	<u>\$ 67,946</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 11. Pension Plan- Public Employees Retirement Association (continued)**

**Actuarial Assumptions:** The total pension liability at June 30, 2017 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 Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 11. 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	\$ 5,928,983	\$ 3,782,855	\$ 1,998,051
<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	\$ 3,838,921	\$ 2,407,266	\$ 1,232,381
<u>PERA Fund Division Fire Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.451%)</u>
City's proportionate share of the net pension liability	\$ 2,359,510	\$ 1,760,488	\$ 1,266,840

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_Public_Employees_Retirement_Association_2017.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/6-30-2016%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf).

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 12. 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 \$71,599 for the year ending June 30, 2018.

At June 30, 2018, the City reported a liability of \$3,850,108 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, 2017, the City's proportion was 0.0850 percent.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

For the year ended June 30, 2018, the City recognized OPEB expense of \$8,753. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 147,747
Changes of assumptions	-	673,143
Net difference between projected and actual earnings on pension plan investments	-	55,386
City's contributions subsequent to the measurement date	144,313	-
<b>Total</b>	<b>\$ 144,313</b>	<b>\$ 876,276</b>

Deferred outflows of resources totaling \$144,313 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	\$ (186,302)
2020	(186,302)
2021	(186,302)
2022	(186,302)
Thereafter	(131,068)
<b>Total</b>	<b>\$ (876,276)</b>

**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; 2.25% for PERA
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 Medicare
Mortality assumption	RP-2000 Combined mortality table with white collar adjustment (males) and GRS Southwest Regional Teacher Mortality Tables (females) PERA members: RP-2000 combined healthcare mortality.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

**Rate of Return**

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:

<b>ALL FUNDS - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%
<b>Total</b>	<b>100%</b>	

**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.



**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

<u>RHC Fund Division Municipal Governm</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	\$ 4,670,123	\$ 3,850,108	\$ 3,206,735

**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.

**NOTE 13. Subsequent Events**

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 1, 2018 which is the date on which the financial statements were available to be issued.

**NOTE 14. Restricted net position**

The government-wide statement of net position reports restricted net position in governmental funds of \$8,468,081. For descriptions of the related enabling legislation for special revenue, capital projects, see page 38 and pages 84-87 for descriptions of the related restrictions for special revenue, debt service capital projects funds. The government-wide statement of net position reports restricted net position in business-type activities of \$54,251. This amount is restricted for capital projects for water line extensions, and improvements.

**NOTE 15. Utility Revenues Pledged**

The City of Belen has pledged future revenues from the water and sewer system, net of operation and maintenance expenses and the distributions to the City of state-shared gross receipts tax revenues from the New Mexico Taxation and Revenue Department to repay \$1,167,361 to the New Mexico Environment Department for the NMED CWSRF loan, issued in 2003. The loan is payable solely from utility customer net revenues (defined as all income and revenues directly or indirectly derived by operation of the City's Joint Water and Sewer System less the operation and maintenance expenses of the System and parity obligations) and state shared infrastructure gross receipts tax revenues and is payable through December 2022. The pledged revenues shall be in an amount sufficient to pay principal and interest amounts due under the loan agreement, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan are \$1,167,361 and \$70,966 respectively.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 16. Leases**

The City has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

<u>Fiscal year ending June 30,</u>	<u>Amount</u>
2019	12,304
2020	-
2021	-
2022	-
2023	-
<b>Total</b>	<u>\$ 12,304</u>

**NOTE 17. Related Party**

As of June 30, 2018, the City's management was not aware of any related party relationships.

**NOTE 18. Restatements**

The City recorded a restatement to net position to prior year's government wide financial statements related to the implementation of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The total restatement on the government wide financial statements was \$4,573,317.

**NOTE 19. 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 Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 20. Joint Powers Agreements**

**Central Solid Waste Authority**

Participants	Village of Los Lunas City of Belen Village of Bosque Farms County of Socorro City of Socorro
Responsible party	Central Solid Waste Authority
Description	Form a Bi-County, regional solid waste disposal authority in order to fully comply with the Solid Waste Act, provide for disposition of solid waste by establishing modern and, where possible, state of the art facilities for recycling, disposition and transportation of solid waste, to provide for the general protection of the health, welfare and safety of the public and to provide staff, management assistance, planning and facilities
Term of agreement	1995 to Indefinite
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Central Solid Waste Authority

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 20. Joint Powers Agreements (continued)**

**Medical Director for EMS Services**

Participants	Valencia County City of Belen
Responsible party	Valencia County
Description	Valencia County to provide medical direction as necessary for the fire medical rescue services of the City of Belen Fire Department
Term of agreement	7/1/07 to Indefinite
Amount of project	Unknown
City contributions	\$3,750/year
Audit responsibility	Valencia County City of Belen

**Valencia County Detention Center**

Participants	Valencia County City of Belen
Responsible party	Valencia County
Description	Housing of prisoners at the Valencia County Detention Center
Term of agreement	1/29/08 to Indefinite
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Valencia County

**Furnish Mutual Aid and Assistance in Fire Suppression and Emergency Responses**

Participants	Socorro County City of Belen
Responsible party	Socorro County City of Belen
Description	Agreement for the participants to provide assistance in emergency responses and preserving life and property within the other party's jurisdiction
Term of agreement	2012 through 2017
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Socorro County City of Belen

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 20. Joint Powers Agreements (continued)**

**Joint Powers Agreement between Valencia County and the City of Belen to Work Cooperatively to Achieve the Establishment of a Hospital in Valencia County**

Participants	Valencia County City of Belen
Responsible party	Valencia County City of Belen
Description	Agreement for the County and City to independently study the feasibility of the proposed Belen Site for a hospital in Valencia County
Term of agreement	2012 through project completion
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Valencia County City of Belen

**License Agreement between the Belen Consolidated Schools and the City of Belen Regarding the Belen High School Pond**

Participants	Belen Consolidated Schools City of Belen
Responsible party	Belen Consolidated Schools City of Belen
Description	Agreement for the Schools to grant to the City a License to construct, improve, expand, operate, maintain, and repair, at the City's expense, an expansion to the High School Pond to accommodate additional storm water run off in accordance with the Drainage Master Plan developed by the City.
Term of agreement	Indefinite
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Belen Consolidated Schools City of Belen

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 20. Joint Powers Agreements (continued)**

**Memorandum of Understanding between City of Belen and City of Rio Communities for Animal Control Services**

Participants	City of Belen City of Rio Communities
Description	Agreement to extend emergency animal control services provided by the City of Belen to the city and residents of Rio Communities. Compensation shall be provided from the City of Rio Communities to the City of Belen on a per-call basis.
Term of agreement	November 2014 with automatic one year renewals.
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	City of Belen City of Rio Communities

**Airport Joint Powers Agreement between Belen Alexander Municipal Airport and United States Air Force**

Participants	City of Belen State of New Mexico United States Airforce
Description	Agreement for the City to extend the United States Airforce a substantial use of the facilities at Alexander Airport and to maintain the airport, and have National Fire Protection Association 403-compliant Aircraft Rescue & Fire - Fighting equipment, personnel and services necessary to support the Air Force short takeoff and landing training requirements in exchange for \$1,483,759 per year.
Term of agreement	September 2016 through September 2026.
Amount of Project	\$14,837,590
City Contributions	Unknown
Audit Responsibility	City of Belen

**Public Service Agreement between the City and Belen Main street Partnership**

Participants	City of Belen and Belen Main street Partnership
Description	To provide revitalization and economic activity in the central business district of Belen
Term of Agreement	January 2017 through January 2018 with annual renewals.
Amount of Project	\$35,000
City Contributions	\$35,000
Audit Responsibility	City of Belen

**STATE OF NEW MEXICO  
City of Belen  
Notes to the Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 20. Joint Powers Agreements (continued)**

**Agreement between the Belen Consolidated Schools and the City of Belen Requiring the City Provide Sewer Services to Dennis Chavez Elementary**

Participants	City of Belen Belen Consolidated Schools
Description	To provide sewer services to Dennis Chavez Elementary
Term of agreement	June 2016 through Indefinite
Amount of Project	\$800,000
City Contributions	\$250,000
Audit Responsibility	City of Belen and Belen Consolidated Schools

**School Resource Office Memorandum of Understanding**

Participants	City of Belen and Belen Consolidated Schools
Description	The City will provide one school resource officer to Belen Consolidated Schools
Term of Agreement	May 2017 through August 2018
Amount of Project	\$50,000
City Contributions	Unknown
Audit Responsibility	Belen Consolidated Schools

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

MUNICIPAL GENERAL FUND	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.2753%	0.2511%	0.2327%	0.2383%
City's proportionate share of the net pension liability (asset)	\$ 3,782,855	\$ 4,011,733	\$ 2,372,578	\$ 1,858,996
City's covered-employee payroll	\$ 1,936,914	\$ 1,912,863	\$ 1,713,991	\$ 1,480,104
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	195.30%	209.72%	138.42%	125.60%
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

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

<b>MUNICIPAL POLICE FUND</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability (asset)	0.4333%	0.3960%	0.3881%	0.4182%
City's proportionate share of the net pension liability (asset)	\$ 2,407,266	\$ 2,921,806	\$ 1,866,202	\$ 1,363,286
City's covered-employee payroll	\$ 912,994	\$ 901,657	\$ 931,560	\$ 807,916
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	263.67%	324.05%	200.33%	168.74%
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

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

<b>MUNICIPAL FIRE FUND</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability (asset)	0.3077%	0.3045%	0.2656%	0.2680%
City's proportionate share of the net pension liability (asset)	\$ 1,760,488	\$ 2,031,323	\$ 1,370,810	\$ 1,118,630
City's covered-employee payroll	\$ 501,966	\$ 504,651	\$ 452,185	\$ 281,072
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	350.72%	402.52%	303.15%	397.99%
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 Belen**  
**Schedules of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal General**  
**Last 10 Years\***

<b>MUNICIPAL GENERAL FUND</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 125,899	\$ 124,336	\$ 317,945	\$ 297,215
Contributions in relation to the contractually required contribution	\$ 359,362	\$ 354,836	\$ 316,684	\$ 271,599
Contribution deficiency (excess)	\$ (233,463)	\$ (230,500)	\$ 1,261	-
City's covered-employee payroll	\$ 1,936,914	\$ 1,912,863	\$ 1,713,991	\$ 1,619,650
Contributions as a percentage of covered-employee payroll	18.55%	18.55%	18.48%	18.35%

\*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 Belen**  
**Schedules of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal Police**  
**Last 10 Years\***

<b>MUNICIPAL POLICE FUND</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 172,556	\$ 170,413	\$ 201,863	\$ 218,958
Contributions in relation to the contractually required contribution	\$ 245,351	\$ 246,767	\$ 247,231	\$ 218,958
Contribution deficiency (excess)	\$ (72,795)	\$ (76,354)	\$ (45,548)	\$ -
City's covered-employee payroll	\$ 912,994	\$ 901,657	\$ 931,560	\$ 807,916
Contributions as a percentage of covered-employee payroll	26.87%	27.37%	26.54%	27.10%

\*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 Belen**  
**Schedules of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal Fire**  
**Last 10 Years\***

<b>MUNICIPAL FIRE FUND</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 108,676	\$ 109,257	\$ 85,463	\$ 94,208
Contributions in relation to the contractually required contribution	\$ 141,725	\$ 144,835	\$ 100,729	\$ 94,208
Contribution deficiency (excess)	\$ (33,049)	\$ (35,578)	\$ (15,266)	\$ -
City's covered-employee payroll	\$ 501,966	\$ 504,651	\$ 452,185	\$ 315,078
Contributions as a percentage of covered-employee payroll	28.23%	28.70%	22.28%	29.90%

\*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

## City of Belen

## Schedules of Required Supplementary Information

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

<b>CITY IN SUMMATION</b>	<b>2018</b>
City's proportion of the net OPEB liability (asset)	0.0850%
City's proportionate share of the net OPEB liability	\$ 3,850,108
City's covered-employee payroll	\$ 3,568,450
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	107.89%

\*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 Belen**  
**Schedules of Contributions**  
**OPEB**  
**Last 10 Fiscal Years\***

Schedule IV

<b>CITY IN SUMMATION</b>	<b>2018</b>
Contractually required contribution	\$ 71,369
Contributions in relation to the contractually required contribution	\$ 71,369
City's covered-employee payroll	\$ 3,568,450
Contributions as a percentage of covered-employee payroll	2.00%

\*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

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## **SUPPLEMENTARY INFORMATION**

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

**Special Revenue Funds**

**Parks and Recreation**

To account for revenues collected from taxes on cigarettes sold within the City boundaries pursuant to the Cigarette Tax Act, NMSA 7- 12-1 and 7-12-15, and miscellaneous revenue received from taxpayers for special uses or tournaments, etc. Expenditures from this fund may be used for recreational facilities and salaries of employees necessary for the operation of such facilities.

**Fire Protection**

To account 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, except for the station's water supply system; fire apparatus and equipment; the payment of insurance premiums on the above; and for insurance premiums for injuries or death of firefighters.

**EMS Rescue**

To account for State revenues received pursuant to the Emergency Medical Services Fund Act, NMSA 24-10A. Expenditures from this fund may be used for the establishment of emergency medical services; to acquire emergency medical services vehicles and equipment supplies; and for training and licensing of local emergency management services personnel.

**1/8% GRT Infrastructure**

To account for receipt of gross receipts taxes created by City ordinances. The proceeds are to be used for acquisition, construction, operations and maintenance of solid waste, wastewater facilities, streets, sewer systems and related facilities. Authorization is by City Council.

**The 1/2% GRT Infrastructure**

To account for receipt of gross receipts taxes created by City ordinances. The proceeds are to be used for acquisition, construction, operations and maintenance of wastewater facilities, streets, sewer systems and related facilities, and also to pay municipal Gross Receipts Tax Revenue Bonds Series 2005 and 2016. Authorized by the City Council.

**Department of Justice**

To account for grant funds provided for law enforcement services within the City. Authorization is by City Council.

**Correction**

To account for fines collected by the City Courts which are designated to be used for the operation and maintenance of the City jail. Authority is Section 35-15-12, NMSA.

**Evidence**

To account for and provide the proper security for unclaimed evidence funds pending litigation. Authorization is by City Council.

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

**Special Revenue Funds (continued)**

**Law Enforcement**

To account for funds allotted by the Law Enforcement Protection Fund, Section 29-13-5, NMSA 1978, to “enhance the efficiency and effectiveness of law enforcement service.”

**Confiscated Funds**

To account for the seizure and forfeiture of property used or intended to be used in the commission of a crime. Authorization is by City Council.

**Lodger’s Tax**

To account for revenues collected from occupancy taxes levied within the City boundaries pursuant to NMSA 3-38-15. Also, to account for funds received from a cooperative advertising grant from the New Mexico Department of Tourism. Expenditures from this fund may be used for acquiring, constructing, improving, establishing, and operating convention, exposition or entertainment facilities; equipping and furnishing such facilities; acquiring or obtaining an interest in such facilities; or advertising, publicizing, and promoting such facilities.

**Property Abatement**

To account for the condemnation and cleanup of certain abandoned and dangerous properties within the City limits. Authorization is by City Council.

**Judicial Fund**

To account for bail bonds held by the City pending resolution of criminal cases. Authorization is by City Council.

**Martin Luther King**

To account for a State grant for cultural events in relation to the Martin Luther King holiday. Authorization is by City Council.

**Technology Infrastructure Fee**

To account for the proceeds and use of the Technology Infrastructure Fee levied on all utility customers to finance technology improvements and infrastructure. Authorization is by City Council.

**RSVP**

To account for grants received from the State Agency on Aging and Federal government under the Domestic Volunteer Service Act of 1983, as amended, Title II, to provide a variety of opportunities for retired persons to serve their community through significant volunteer service (Public Law 93-113).

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

**Special Revenue Funds (continued)**

**Street Paving**

To account for revenues received from the levy of a tax per gallon of gasoline purchased within the City boundaries, pursuant to the County and Municipal Gasoline Tax Act, NMSA 7-21-1. Also, to account for revenues received for several state grants from the New Mexico State Highway Department for surfacing and improving various streets. Expenditures from this fund may be used for bridge and road projects on transit routes; for purchasing, maintaining or operating transit facilities; for operating a transit authority; for operating a vehicle emissions inspection program; or for road, street or highway construction, repair and maintenance on transit routes.

**Debt Service Funds**

**GRT Revenue Bonds**

To provide funds for debt service payments on the Series 2005 Gross Receipts Tax Revenue Bonds. Authorization is by City Council.

**Capital Projects Funds**

**Alexander Airport**

To account for a grant from the FAA through the NMSH&TD for the renovation of the City's airport facility. Authorization is by City Council.

**Purpose Park**

To account for the resources accumulated and the payments made for the principal and interest on general long-term debt for governmental funds. Authorized by City Council.

**Camino Del Llano**

To account for various grant and other revenues used for the Camino Del Llano Capital Projects. Authorized by City Council.

**Christopher Road**

To account for the revenues and expenses related to infrastructure improvements projects. Authorized by City Council.

**CDBG**

Monies were transferred into this fund to account for future expenditures related to federal capital grants that that will be used to make capital improvements to the City's infrastructure.

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

	<u>Special Revenue</u>			
	<u>Parks &amp; Recreation</u>	<u>Fire Protection</u>	<u>EMS Rescue</u>	<u>1/8 GRT Infrastructure</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 34,982	\$ 224,776	\$ -	\$ 162,301
Restricted cash	-	39,000	-	-
Gross receipt taxes receivable	-	-	-	96,403
Other receivables	-	-	-	-
Due from other funds	-	-	-	492,440
<b>Total assets</b>	<u>\$ 34,982</u>	<u>\$ 263,776</u>	<u>\$ -</u>	<u>\$ 751,144</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 9,816	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>9,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable:				
Interfund Loans	-	-	-	492,440
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	263,776	-	-
Public works	-	-	-	-
Culture and recreation	25,166	-	-	-
Capital projects	-	-	-	258,704
Unassigned	-	-	-	-
<b>Total fund balance</b>	<u>25,166</u>	<u>263,776</u>	<u>-</u>	<u>751,144</u>
<b>Total liabilities and fund balance</b>	<u>\$ 34,982</u>	<u>\$ 263,776</u>	<u>\$ -</u>	<u>\$ 751,144</u>

See Independent Auditors' Report and Notes to Financial Statements



**Special Revenue**

<u>1/2% GRT Infrastructure</u>	<u>Department of Justice</u>	<u>Correction</u>	<u>Evidence</u>	<u>Law Enforcement</u>	<u>Confiscated Funds</u>	<u>Lodger's Tax</u>
279,670	\$ 7,648	14,745	\$ 23,841	\$ -	\$ 5,000	\$ 24,959
-	-	-	-	-	-	-
192,772	-	-	-	-	-	-
-	-	-	-	-	-	-
125,650	-	10,000	-	-	-	-
<u>\$ 598,092</u>	<u>\$ 7,648</u>	<u>\$ 24,745</u>	<u>\$ 23,841</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 24,959</u>
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	375
125,650	-	10,000	-	-	-	-
-	-	-	-	-	-	-
-	7,648	14,745	23,841	-	5,000	-
472,442	-	-	-	-	-	-
-	-	-	-	-	-	24,584
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>598,092</u>	<u>7,648</u>	<u>24,745</u>	<u>23,841</u>	<u>-</u>	<u>5,000</u>	<u>24,584</u>
<u>\$ 598,092</u>	<u>\$ 7,648</u>	<u>\$ 24,745</u>	<u>\$ 23,841</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 24,959</u>

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

	<u>Special Revenue</u>			
	<u>Property Abatement</u>	<u>Judicial Fund</u>	<u>Martin Luther King</u>	<u>Technology Infrastructure Fee</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 34,182	\$ 280	\$ 2,687	\$ 170,070
Restricted cash	-	-	-	-
Gross receipt taxes receivable	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 34,182</u>	<u>\$ 280</u>	<u>\$ 2,687</u>	<u>\$ 170,070</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	10,000	-	-
<b>Total liabilities</b>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable:				
Interfund Loans	-	-	-	-
Spendable:				
Restricted for:				
General government	-	(9,720)	-	170,070
Public safety	34,182	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	2,687	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balance</b>	<u>34,182</u>	<u>(9,720)</u>	<u>2,687</u>	<u>170,070</u>
<b>Total liabilities and fund balance</b>	<u>\$ 34,182</u>	<u>\$ 280</u>	<u>\$ 2,687</u>	<u>\$ 170,070</u>

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue		Debt Service	Capital Projects			
RSVP	Street Paving	GRT Revenue Bonds	Alexander Airport	Park	Camino Del Llano	CDBG
\$ 28,823	\$ 256,887	\$ -	\$ 48	\$ 4	\$ -	\$ 78,000
-	-	15,539	-	-	-	-
-	-	-	-	-	-	-
5,524	34,385	-	-	330,410	-	-
-	-	-	-	-	-	-
<u>\$ 34,347</u>	<u>\$ 291,272</u>	<u>\$ 15,539</u>	<u>\$ 48</u>	<u>\$ 330,414</u>	<u>\$ -</u>	<u>\$ 78,000</u>
\$ -	10,561	\$ -	\$ 32,213	\$ -	\$ -	\$ -
1,805	-	-	-	-	-	-
-	-	133,000	125,650	492,440	-	-
<u>1,805</u>	<u>10,561</u>	<u>133,000</u>	<u>157,863</u>	<u>492,440</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	280,711	-	-	-	-	-
32,542	-	-	-	-	-	-
-	-	-	-	-	-	78,000
-	-	(117,461)	(157,815)	(162,026)	-	-
<u>32,542</u>	<u>280,711</u>	<u>(117,461)</u>	<u>(157,815)</u>	<u>(162,026)</u>	<u>-</u>	<u>78,000</u>
<u>\$ 34,347</u>	<u>\$ 291,272</u>	<u>\$ 15,539</u>	<u>\$ 48</u>	<u>\$ 330,414</u>	<u>\$ -</u>	<u>\$ 78,000</u>

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

Statement A-1  
Page 3 of 3

	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,348,903
Restricted cash	54,539
Gross receipt taxes receivable	289,175
Other receivables	370,319
Due from other funds	628,090
<b>Total assets</b>	<b>\$ 2,691,026</b>
<b>Liabilities and fund balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 52,965
Accrued salaries and benefits	1,805
Due to other funds	761,090
<b>Total liabilities</b>	<b>815,860</b>
<b>Fund balance</b>	
Nonspendable:	
Interfund Loans	628,090
Spendable:	
Restricted for:	
General government	160,350
Public safety	349,192
Public works	753,153
Culture and recreation	84,979
Capital projects	336,704
Unassigned	(437,302)
<b>Total fund balance</b>	<b>1,875,166</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,691,026</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**City of Belen**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>Special Revenue</b>			
	<b>Parks &amp; Recreation</b>	<b>Fire Protection</b>	<b>EMS Rescue</b>	<b>1/8 GRT Infrastructure</b>
<b>Revenues</b>				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ 545,525
Gas taxes	-	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	-	296,188	9,971	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
Charges for services	57,702	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous income	-	-	-	-
<b>Total revenue</b>	<b>57,702</b>	<b>296,188</b>	<b>9,971</b>	<b>545,525</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	117,480	10,667	-
Public works	-	-	-	125,160
Culture and recreation	60,925	-	-	-
Health and welfare	-	-	-	-
Capital outlay	33,685	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>94,610</b>	<b>117,480</b>	<b>10,667</b>	<b>125,160</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(36,908)</b>	<b>178,708</b>	<b>(696)</b>	<b>420,365</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(30,490)	-	(665,254)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(30,490)</b>	<b>-</b>	<b>(665,254)</b>
Net change in fund balance	(36,908)	148,218	(696)	(244,889)
Fund balance - beginning of year	62,074	115,558	696	996,033
<b>Fund balance - end of year</b>	<b>\$ 25,166</b>	<b>\$ 263,776</b>	<b>\$ -</b>	<b>\$ 751,144</b>

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue

<u>1/2% GRT Infrastructure</u>	<u>Department of Justice</u>	<u>Correction</u>	<u>Evidence</u>	<u>Law Enforcement</u>	<u>Confiscated Funds</u>	<u>Lodger's Tax</u>
1,076,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	58,737
-	-	-	-	31,400	-	-
-	-	-	-	-	-	-
-	1,440	-	-	-	-	-
-	-	-	-	-	-	-
-	-	79,629	1,448	-	-	-
-	-	-	-	-	-	-
<u>1,076,796</u>	<u>1,440</u>	<u>79,629</u>	<u>1,448</u>	<u>31,400</u>	<u>-</u>	<u>58,737</u>
-	-	-	-	-	-	-
-	-	72,198	2,100	31,400	-	-
246,679	-	-	-	-	-	-
-	-	-	-	-	-	68,795
-	-	-	-	-	-	-
-	-	-	-	-	-	6,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>246,679</u>	<u>-</u>	<u>72,198</u>	<u>2,100</u>	<u>31,400</u>	<u>-</u>	<u>74,795</u>
<u>830,117</u>	<u>1,440</u>	<u>7,431</u>	<u>(652)</u>	<u>-</u>	<u>-</u>	<u>(16,058)</u>
-	-	-	-	-	5,000	-
(886,171)	-	-	-	-	(4,460)	-
(886,171)	-	-	-	-	540	-
(56,054)	1,440	7,431	(652)	-	540	(16,058)
654,146	6,208	17,314	24,493	-	4,460	40,642
<u>\$ 598,092</u>	<u>\$ 7,648</u>	<u>\$ 24,745</u>	<u>\$ 23,841</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 24,584</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>Special Revenue</b>			
	<b>Property Abatement</b>	<b>Judicial Fund</b>	<b>Martin Luther King</b>	<b>Technology Infrastructure Fee</b>
<b>Revenues</b>				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	61,069
Lodger's taxes	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
Charges for services	-	10,121	-	-
Licenses and fees	-	-	-	-
Miscellaneous income	17,187	-	2,206	-
<b>Total revenue</b>	<u>17,187</u>	<u>10,121</u>	<u>2,206</u>	<u>61,069</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	2,184
Public safety	-	10,465	-	-
Public works	8,693	-	375	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	9,740
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>8,693</u>	<u>10,465</u>	<u>375</u>	<u>11,924</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>8,494</u>	<u>(344)</u>	<u>1,831</u>	<u>49,145</u>
<b>Other financing sources (uses)</b>				
Transfers in	20,000	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	28,494	(344)	1,831	49,145
Fund balance - beginning of year	5,688	(9,376)	856	120,925
<b>Fund balance - end of year</b>	<u>\$ 34,182</u>	<u>\$ (9,720)</u>	<u>\$ 2,687</u>	<u>\$ 170,070</u>

See Independent Auditors' Report and Notes to Financial Statements



Special Revenue		Debt Service	Capital Projects			
RSVP	Street Paving	GRT Revenue Bonds	Alexander Airport	Park	Camino Del Llano	CDBG
\$ -	\$ 176,930	44,134	\$ -	-	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,230	-	-	-	-	-	-
-	-	-	20,687	449,720	-	-
37,202	-	-	-	-	-	-
-	-	-	154,951	-	-	-
-	-	-	212,420	-	-	-
-	-	-	-	-	-	-
1,826	-	-	-	-	-	-
<u>61,258</u>	<u>176,930</u>	<u>44,134</u>	<u>388,058</u>	<u>449,720.00</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	33,097	-	-	-	-	-
-	-	-	213,947	-	-	-
103,139	-	-	-	-	-	-
-	112,123	-	-	598,720	-	-
-	-	250,000	-	-	-	-
-	-	199,000	-	-	-	-
<u>103,139</u>	<u>145,220</u>	<u>449,000</u>	<u>213,947</u>	<u>598,720</u>	<u>-</u>	<u>-</u>
<u>(41,881)</u>	<u>31,710</u>	<u>(404,866)</u>	<u>174,111</u>	<u>(149,000)</u>	<u>-</u>	<u>-</u>
32,436	-	463,661	-	-	188,902	-
-	-	-	-	-	-	-
<u>32,436</u>	<u>-</u>	<u>463,661</u>	<u>-</u>	<u>-</u>	<u>188,902</u>	<u>-</u>
(9,445)	31,710	58,795	174,111	(149,000)	188,902	-
41,987	249,001	(176,256)	(331,926)	(13,026.00)	(188,902)	78,000
<u>\$ 32,542</u>	<u>\$ 280,711</u>	<u>\$ (117,461)</u>	<u>\$ (157,815)</u>	<u>\$ (162,026)</u>	<u>\$ -</u>	<u>\$ 78,000</u>

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**Combining Statement of Revenues, Expenses, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018**

	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>	
Gross receipt taxes	\$ 1,843,385
Gas taxes	61,069
Lodger's taxes	58,737
State operating grants	359,789
State capital grants	470,407
Federal operating grants	37,202
Federal capital grants	156,391
Charges for services	280,243
Licenses and fees	81,077
Miscellaneous income	21,219
<b>Total revenue</b>	<b>3,369,519</b>
<b>Expenditures</b>	
Current:	
General government	2,184
Public safety	244,310
Public works	414,004
Culture and recreation	343,667
Health and welfare	103,139
Capital outlay	760,268
Debt service:	
Principal	250,000
Interest	199,000
<b>Total expenditures</b>	<b>2,316,572</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,052,947</b>
<b>Other financing sources (uses)</b>	
Transfers in	709,999
Transfers out	(1,586,375)
<b>Total other financing sources (uses)</b>	<b>(876,376)</b>
Net change in fund balance	176,571
Fund balance - beginning of year	1,698,595
<b>Fund balance - end of year</b>	<b>\$ 1,875,166</b>

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**City of Belen**  
**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>
<b>Wells Fargo:</b>					
Operational	Checking	\$ 9,411,230	\$ 6,644	\$ 204,977	\$ 9,212,897
1/12 Reserve	Savings	1,077,434	-	-	1,077,434
<b>Total Wells Fargo Bank, N.A.</b>		<u>10,488,664</u>	<u>6,644</u>	<u>204,977</u>	<u>10,290,331</u>
<b>My Bank:</b>					
Meter Deposits	Checking	117,834	-	-	117,834
<b>Total My Bank</b>		<u>117,834</u>	<u>-</u>	<u>-</u>	<u>117,834</u>
<b>Bank of Albuquerque</b>					
Fire Truck Reserve	Checking	39,000	-	-	39,000
<b>Total Bank of Albuquerque</b>		<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
<b>New Mexico Finance Authority:</b>					
Belen Cash & Reserves	Debt Service	599,337	-	-	599,337
<b>Total New Mexico Finance Authority</b>		<u>599,337</u>	<u>-</u>	<u>-</u>	<u>599,337</u>
<b>Total</b>		<u>\$ 11,244,835</u>	<u>\$ 6,644</u>	<u>\$ 204,977</u>	<u>11,046,502</u>
Petty cash					600
<b>Total Deposits</b>					<u>\$ 11,047,102</u>

Total cash and cash equivalents per Statement of Net Position	3,109,195
Total restricted cash and cash equivalents per Statement of Net Position	7,567,907
Total cash and cash equivalents per Statement of Fiduciary Assets and Liabilities	370,000
Total cash and cash equivalents	<u>11,047,102</u>

See Independent Auditors' Report

STATE OF NEW MEXICO

Schedule VI

City of Belen

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>
Wells Fargo:	FNMA FNMS	5/1/2031	3140F2P87	\$ 6,195,480
	FNMA FNMS	1/1/2042	31418ACM8	154,291
Total Wells Fargo				<u>6,349,771</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**City of Belen**  
**Fiduciary Funds**  
**Schedule of Changes in Assets and Liabilities**  
**June 30, 2018**

Schedule VII

**LEDA Funds**

	<b>Balance July 01, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and investments	\$ -	\$ 2,000,000	\$ 1,630,000	\$ 370,000
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 1,630,000</u>	<u>\$ 370,000</u>
<b>Liabilities</b>				
Deposits held in trust for others	\$ -	\$ 2,000,000	\$ 1,630,000	\$ 370,000
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 1,630,000</u>	<u>\$ 370,000</u>

See Independent Auditors' Report



## **COMPLIANCE SECTION**



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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

### INDEPENDENT AUDITORS' REPORT

Honorable Wayne Johnson  
New Mexico State Auditor  
The City Council  
City of Belen  
Belen, 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 Belen New Mexico (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 1, 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 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 were not 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 questioned costs to be material weaknesses FS 2009-001.

*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 accompanying schedule of findings and questioned costs to be significant deficiencies FS 2016-001, FS 2018-001 and FS 2018-007.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned Costs as items FS 2009-004, FS 2013-002, FS 2014-003, FS 2018-002, FS 2018-003, FS 2018-004, FS 2018-005 and FS 2018-006.

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

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

## **Purpose of this Report**

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

*Southwest Accounting Solutions, LLC*

Albuquerque, New Mexico  
November 1, 2018

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**FEDERAL FINANCIAL ASSISTANCE**



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

Honorable Wayne Johnson  
New Mexico State Auditor  
The City Council  
City of Belen  
Belen, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited the City of Belen's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

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

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

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

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

Firm's signature

*Southwest Accounting Solutions, LLC*

Southwest Accounting Solutions, LLC  
Albuquerque, New Mexico  
November 1, 2018

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

Schedule VIII

<u>Federal grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Federal Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
<b>Environmental Protection Agency</b>					
Passed Through New Mexico Department of Finance and Administration					
Clean Water State Revolving Fund	66.468	Yes	\$ 1,002,463	-	-
<b>Unites States Airforce</b>					
Direct					
Airport Operations	58th SOW *	Yes	\$ 668,051	-	-
<b>Corporation for National and Community Service</b>					
Direct					
Retire Senior Volunteer Program	94.002	No	\$ 32,463	-	-
<b>U.S. Department of Transportation</b>					
Passed through New Mexico Department of Transportation:					
ENDWI/BKLUP/STEP	20.601	No	\$ 17,360	-	-
<b>U.S. Department of Justice</b>					
Direct at 50% of Expense					
Bullet Proof Vest	16.607	No	\$ 1,159	-	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,721,496</b>	<b>-</b>	<b>-</b>

\* Alternative title no CFDA

See Independent Auditors' Report



**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

**NOTE 1. Basis of Accounting**

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

The City expended federal awards related to loans or loan guarantees during the year in the amount of \$1,002,463.

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

The City has no federally funded insurance.

**NOTE 2. General**

The following is a reconciliation of the total Federal Awards of the City for the year ended June 30, 2018:

City of Belen federal expenditures of federal awards on SEFA	\$ 1,721,496
Expenditures funded by other sources	<u>21,777,947</u>
Total expenditures	<u>\$23,499,443</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**Section I: SUMMARY OF AUDIT RESULTS**

***Financial Statements:***

**Type of auditors' report issued** **Unmodified**

**Internal control over financial reporting:**

Material Weakness identified	Yes
Significant deficiencies identified?	Yes
Noncompliance material to the financial statements?	No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	No

Any Audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

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

CFDA Numbers	Name of Federal Program Cluster	Type of Auditors report Issued on Compliance for Major Federal Programs
66.468	Clean Water State Revolving Fund	Unmodified
58th SOW*	Airport Operations	Unmodified

Dollar threshold used to distinguish between a type A and type B programs. \$750,000

Auditee Qualified as a low-risk auditee? No

\* Alternative title no CFDA

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**Section II: Prior Year Audit Findings**

FS 2009-001	PERA Reporting and Contribution Remittances	Modified and repeated
FS 2009-004	Lack of Budgetary Control	Modified and repeated
FS 2013-002	Department of Finance and Administration Cash Report	Modified and repeated
FS 2014-003	Compliance with the Anti-Donation Clause – In-Kind Services	Modified and repeated
FS 2016-001	COSO Framework Monitoring Deficiencies	Modified and repeated

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**Section III: Audit Findings**

**FS 2009-001- PERA Reporting and Contribution Remittances – Material Weakness - Repeated/Modified**

**Condition:** During our testwork we noted the following issues with PERA submittals:

- From 2008 through 2016 the City had PERA reports that were not completed correctly and has not performed a reconciliation to correct the possible outstanding liability.
- The City did not take timely action to correct this finding in fiscal year 2018.

**Criteria:** PERA contribution requirements for the City and the City's employees, including those requirements related to retired elected officials, are established in State statute under NMSA 1978, Section 10-11-124 and 10-11-126 PERA may assess interest rates for late payments outstanding at an interest rate equal to 7.75% compounded annually.

**Effect:** *In the event* PERA payments were underpaid in prior fiscal years the City and City employees could have unrecorded liabilities to PERA that is not properly disclosed and the liabilities could materially misstate the City's financial statements.

**Cause:** Poor system integration into PERA reporting, a lack of understanding of the requirements, and inadequate internal controls in prior fiscal years resulted in incomplete reporting, improper remittances and a possible undisclosed liability to the City.

**Auditors' Recommendation:** We recommend that the City perform a reconciliation of PERA submittals for at least fiscal years 2008 through 2016 to understand the scope of the possible liability outstanding.

**Managements Progress:** Management has made no progress on this audit finding during fiscal year 2018.

**Management Response:** The City made contact with the State Auditor's Office to seek consent for a Special Audit concerning PERA submittals between 2009 through 2016. Upon approval the City will generate a contract with our regular IPA to perform a reconciliation of PERA submittals to limit possible liabilities. The City will need to submit a special form to use our current IPA.

**Responsible Party / Timeline:** HR Director and Payroll Benefits Specialist will ensure there is an independent review of past PERA submissions and expect this review to be completed by June of 2019.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**FS 2009-004 - Lack of Budgetary Control, Expenditures in Excess of Budget and Budgeted Cash in Excess of Available Balance – Other Matters and Non - Compliance - Repeated/Modified**

**Condition:** During our testwork we noted the following deficiencies in the City’s budgetary system of control:

- Designated cash appropriations exceeded available balances in the following funds:

<u>Fund</u>	<u>Amount</u>
Park Capital Projects	\$ 114,509
GRT Revenue Bonds	\$ 96,450
Road Infrastructure Improvements	\$ 20,841

Per Section 6-6-11, NMSA 1978 (the Batemen Act), it is unlawful for any board of county commissioners, municipal governing body or any local school board, for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year, and any indebtedness for any current year which is not paid and cannot be paid, as above provided for, is void. In addition, Section 2.2.2.10. (O) (1), NMAC, states that the City’s cash balances budgeted to absorb budget deficits cannot exceed the actual cash balance available at the end of the prior year.

**Effect:** Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official. The effect of a budget with inadequate designated cash available to cover the excess of budgeted expenditures over budgeted revenue could result in the City incurring debt to pay for current year budgeted expenditures, which would be noncompliance with the Batemen Act.

**Cause:** There was inadequate monitoring of budgeting procedures during the fiscal year.

**Auditors’ Recommendations:** We recommend the City’s cash balances budgeted to absorb budget deficits do not exceed the actual cash balances available at the end of the prior year.

**Managements Progress:** Management has made significant progress in this area by not having any expenditure in excess of budgetary expenditures in fiscal year 2018.

**Management Response:** The Finance Director along with other Finance Staff will review the budgetary reports by fund on a continuous basis and ensure there is adequate cash reserved to supplement expenditures in excess of budgeted revenues.

**Responsible Party / Timeline:** Finance Director will perform a review of cash balances during the budget preparation process. This finding is expected to be resolved in fiscal year 2019.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**FS 2013-002 – Department of Finance and Administration Cash Report – Other Matters and Non - Compliance - Repeated/Modified**

**Condition:** During testwork, we noted that the City's Cash Report to the Department of Finance and Administration (DFA) would not tie to the City's general ledger cash and was overstated by \$378,200. Upon review of the report, it appears that the difference is due to the clients system not pulling cash held at the NMFA and reporting these cash balances to the DFA. The City has also been using the bank statement balance to report cash to the DFA not the bank reconciled balances reported in the City's general ledger. Further the City did not take appropriate action to completely reconcile these differences in fiscal year 2018.

**Criteria:** NMSA 1978 6.6.3 states that every local public body shall make all reports as may be required by the local government division. The local government division requires that municipalities file quarterly financial reports for review by the local government division.

**Effect:** The City is unable to provide the Department of Finance and Administration accurate cash balances which tie to the City's actual cash balances.

**Cause:** The City has not been properly reconciling cash balances to the Department of Finance and Administration reports.

**Auditors' Recommendations:** We recommend the City collaborate with DFA to address the issue that created the differences in cash balances reported in the City's general ledger and the amounts reported to DFA.

**Managements Progress:** In fiscal year 2016 the cash was overstated on the DFA reports by \$2,144,656, in fiscal year 2017 the differences was \$80,357 and in the current fiscal year cash was overstated in the DFA reports by \$378,200.

**Management Response:** The City is in the process of fixing the cash groupings in our financial management system we use to report ending cash balances to the DFA to include cash held at the NMFA. Once the reconciliation is complete the adjustments will be submitted to the governing body for approval. The approved adjustments will be submitted to DFA for the department's approval to adjust beginning cash balances for the current fiscal year. Finance Director/Staff will reconcile to tie together the balances.

**Responsible Party / Timeline:** The Finance Director will work with the DFA analyst to correct the cash reported to the DFA in the budgetary process. This finding is expected to be resolved by June 30, 2019.

**FS 2014-003 – Compliance with the Anti-Donation Clause – In-Kind Services – Other Matters and Non - Compliance - Repeated/Modified**

**Condition:** During our audit, we noted the following issues that violated the anti-donation clause of the City:

- The City paid for an individual not employed by the City to attend the Conference on Aging, put on by the NM Aging & Long Term Services Department, \$45 with check number 43457.
- The City is paying compensation to the MainStreet Partnership Incorporated to cover salaries of the organization in the amount of \$10,000, and the City is providing in-kind services to the

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

organization valued at \$10,000. Further we noted the individual who sits on the lodgers tax board is also the executive director of the MainStreet Partnership.

- During our review of customer utility account adjustments we noted 37 instances totaling \$6,532 where customer accounts were adjusted for water leaks on the customer's side of the water meter.
- It was noted during our audit procedures that the Police Chief was using a City vehicle to drive to Albuquerque for his personal education.
- During our audit procedures we noted the Police Chief was giving employees additional time off without accounting for the leave in the payroll system and without approval of City Management.
- During our audit procedures we noted the Police Chief handed out a box of City bullets to each police office as a Christmas gift.
- During our audit procedures we noted the Police Chief had a personal vending machine on City property without a formal agreement or approval of the governing body.
- We noted Skydive New Mexico, located at the City Airport, has made no lease payments to the City since August of 2009 for the ground lease of their office space. The fair market value of rent is estimated to be \$525.04 per year.
- This is a prior year audit finding and the City Council has not adequately addressed this audit finding. Further, violations of the anti-donation clause appear to have become more frequent in fiscal year 2018.

**Criteria:** Article 9, Section 14 of the New Mexico Constitution states that "neither the state nor any county, school district or municipality shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation."

**Effect:** The City has violated the provisions of Article 9, Section 14 of the New Mexico Constitution.

**Cause:** While the process exists for entities to request the use of City facilities and services, and reimburse the City for such use, the policy is not being applied.

**Auditors' Recommendations:** We recommend that the City establish policies to charge for the use of City employees, services, equipment, and facilities, and apply those policies to all entities seeking to use City resources. Further, we recommend the City not directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation.

**Managements Progress:** The City has made no progress in fiscal year 2018.

**Management Response:** The City administrative staff will create and implement updated policies to address these issues, asking for the support of the City Council in the implementation and compliance of these policies.

**Responsible Party / Timeline:** City Manager will work to remove the practice of violating the anti-donation law in the state of New Mexico. The City expects to be in full compliance by fiscal year ending June 30, 2020.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**FS 2016-001— COSO Framework Monitoring – Significant Deficiency - Repeated/Modified**

**Condition:** During our process of understanding the entity and its environment, we noted instances where elements of the framework of Committee of Sponsoring Organizations (COSO) were deficient. We noted that the risk assessment element and monitoring element were not properly documented.

We also noted the following deficiencies:

- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess fraud risks.
- During audit review and testing procedures performed, we noted the City lacked proper written policies and procedures at the entity wide level.
- During our review of utility receipting process the Utility billing clerk has the ability to adjust customers' accounts in the financial management system without managements or another's approval.
- During our review of monies collected at the Library, we noted the Library is not submitting consistent cash collection reports to the Finance Department. Further, it appears people are using library resources without properly paying for these services.
- The City did not take appropriate action to resolve this finding in fiscal year 2018.

**Criteria:** The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.

**Effect:** Without all of the five elements of the COSO framework present, the City is exposing itself to the risk of misappropriation of assets without adequate detection and correction measures implemented. Further without adequate risk assessment procedures in place the City is not able to maximize and adequately utilize the resources of the City.

**Cause:** The City has not performed a formalized and documented risk assessment process for key controls to be in place to prevent and detect errors or fraud.

**Auditors' Recommendations:** The City should create a comprehensive and written internal control structure over financial reporting that is documented and implemented. This policy should be followed at all levels of the City. Further, we recommend City employees receive training through all levels of the organization related to their assigned duties and responsibilities.

**Managements Progress:** There appears to be no progress made during fiscal year 2018.

**Management's Response:** The City Manager has mandated all department heads to create and implement a policy for each of their departments concerning comprehensive financial internal controls and processes.

**Responsible Party / Timeline:** City Manager will require all department heads to create detailed policies and procedures by December of 2018 and have policies fully implemented by June 30, 2019.



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**FS 2018-001— Fund Balances – Significant Deficiency**

**Condition:** During the audit planning process review of the clients beginning fund balances we noted the following fund balances were not properly rolled forward from the client’s prior year’s trial balance:

<u>Fund Number</u>	<u>Description</u>	<u>Amount</u>
2601	Waste Water	(26,178)
2602	Water	7,690
<u>Total</u>		<u>\$ (18,488)</u>

**Criteria:** Statement on Auditing Standards ("SAS") Number 112 defines a material weakness in financial reporting internal controls as a significant deficiency in internal controls that results in more than a remote likelihood that a material misstatement of the City's financial statements would not be prevented or detected by the City's internal financial reporting control. Further, Management is responsible for the preparation of financial statements that are fairly presented in accordance with generally accepted accounting principles.

**Effect:** An internal control weakness in maintaining the general ledger exists because adjustments were identified by the Auditor and not by City staff, there is an increased risk that a misstatement of the City's financial statements, that is more than inconsequential, will not be prevented or detected. As a result, periodic financial statements reviewed by management and the governing body may be materially inaccurate.

**Cause:** The City’s Financial Management System is not properly designed and maintained to maintain an adequate chart of accounts that properly segregates fund resources and adequately records activity.

**Recommendation:** We recommend the City monitor fund balances and investigate differences on a regular basis.

**Management’s Response:** The Finance Director/Finance Staff will continue to review our internal reporting system for any misstatements and verify adjustments in the reporting sub-systems. As updates are implemented on our software system we are recognizing allocations that cause balances to be misstated. We will continue to review and correct any issues we continue to update our current system.

**Responsible Party / Timeline:** The Finance Director / June 30, 2019.

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**FS 2018-002— Expenditures Without Proper Documentation – Other Matters and Non - Compliance**

**Condition:** During our review of expenditures and subsequent expenditures we noted the following issues:

- Two expenditures related to purchase orders numbered 42624 and 41432, in the amount of \$5,080.16 and \$8,692.73 respectively, did not obtain 2 bona fide quotes as required by the City's procurement policy and procedures.
- SAS noted an invoice to Tabet Lumber CO in the amount of \$345.80 where no purchase order was obtained.
- During review of subsequent disbursements we noted the City's waste hauler is also performing mechanical services for the City and these services are not covered in the waste haulers contract.
- In reviewing the vendor invoices provided to the City from the City's waste hauler we were unable to verify actual services provided to the City against these vendor invoices.
- In reviewing the vendor invoices provided to the City from the City's waste hauler, we noted inconsistencies in amounts charged when comparing one invoice to another and various invoices where the City had to correct the invoices submitted to the City by this vendor due to inaccuracies and overbillings.

**Criteria:** The City's procurement policies and procedures require at least two bona fide written quotations from different vendors to be recorded on a procurement quotation form and made part of the procurement file, and all purchases should be preceded by a dully authorize purchase order. Further, the City should not pay vendors who can't substantiate the actual services provided to the City. Good accounting practices require all vendors to submit invoices that provide sufficient detail as to the actual services rendered and services rendered outside the scope of the service contract should be not be reimbursed to the contractor.

**Effect:** The City is allowing individuals to purchase goods and services with public monies without obtaining the best possible prices for goods and services obtained and without adequate oversight of the goods and services purchased. Further, the City is a party to a contract where they are being billed and paying for services they are unable to verify were actually delivered to the City.

**Cause:** Internal purchasing policies are not being followed and enforced in the City. Further, the City is paying invoices without being able to substantiate the actual work performed.

**Recommendation:** We recommend the City ensure all employees understand the City's procurement policies and procedures before purchasing goods and services with City resources and that all purchases are preceded with an authorized purchase order before the purchase is made. We also recommend that the City require all vendors invoices be submitted to the City in a form and detail that can be verified as to what services the City is paying for and require all vendors submit accurate and complete vendor invoices.

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**Management's Response:** Department Heads were given a copy of the provision from the City's Financial Policy and asked to post it in a conspicuous place. Requisitions are being returned for proper documentation of bids/quotes. Also, management will require vendors to submit vendor invoices in a form and content that can be verified by the City as to actual services rendered before making payment.

**Responsible Party / Timeline:** Finance Director & City Manager / June 30, 2019

**FS 2018-003— Procurement of Services – Other Matters and Non - Compliance**

**Condition:** During our review of City procurement of services we noted the City scored a bid for hauling services from Waste Management in the amount of 437 points and scored a bid form AC Disposal in the amount of 423 points, yet awarded the contract to AC Disposal. Further, we noted The City approved an amendment to this contract for \$12,200 without City Council approval.

**Criteria:** Per NMSA 13-1-114 the request for proposal shall state the relative weight to be given to the factors in evaluating the proposal and per NMSA 13-1-117 a competitive sealed proposal shall be made to the responsible offeror or offerors whose proposal is most advantageous to the state agency or a local public body, taking into consideration the evaluation factors set forth in the request for proposals.

**Effect:** The City did not award the proposal to the most advantageous bidder which resulted in an amendment to the awarded contract in the amount of \$146,400 three months after the contract was awarded.

**Cause:** The City did not follow proper procurement procedures related to this RFP.

**Auditors' Recommendations:** We recommend the City follow state procurement laws related to RFP process and procedures.

**Management's Response:** The City will create a policy that allows for Committee approval of RFP evaluation selections based on the score of the evaluation determined by the Committee itself.

**Responsible Party / Timeline:** Governing Body and the City Manager / June 30, 2019

**FS 2018-004 – Untimely Deposits of Cash Receipts – Other Matters and Non - Compliance**

**Condition:** During our internal control test-work over cash receipts, we noted that 2 out of 20 cash receipts tested, totaling \$18,926.88, were not deposited by the next business day; rather they were deposited within 48 hours of receipt.

**Criteria:** New Mexico Statutes Annotated, 1978, Section 6-10-3 requires that deposits be made the next business day after receipt.

**Effect:** The City is not in compliance with New Mexico State statute.

**Cause:** During the year, the City had employee turnover in the Utility Department which resulted in monies being deposited into the bank in an untimely manner.

**Auditors' Recommendations:** We recommend the City continue to train employees on the State and City policies surrounding cash handling.

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**Management's Response:** The City hired a full time Utility Supervisor who can now provide coverage so that deposits can be deposited within a 24 hour period.

**Responsible Party / Timeline:** City Clerk / June 30, 2019

**FS 2018-005 Capital Assets – Other Matters and Non - Compliance**

**Condition:** During our audit procedures performed in capital asset we noted 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.

**Effect:** The City is exposing itself to risk that fraud and abuse of City capital assets will not be detected and corrected in a timely manner.

**Cause:** The City does not have a sufficient internal control system in place to properly account for capital assets. The City did not properly track 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. We further recommend the City designate a person to monitor the City's capital asset inventory.

**Management's Response:** The Council adopted Resolution 2016-03 committing to complete and implement an asset management plan, staff will be requesting additional funds to support the creation of one staff position to implement this goal.

**Responsible Party / Timeline:** Finance Director / June 30, 2019

**FS 2018-006 — Utility Customer Accounts – Other Matter and Non-Compliance**

**Condition:** In our testwork we scanned all utility adjustments noting 37 instances where customers had their accounts adjusted for water leaks, and we reviewed supporting documentation for 20 customer utility adjustments and found the following:

- During the year customer service representatives were able to adjust customer accounts in their utility management module and we noted one adjustment that did not have any additional approvals.
- We noted a customer account was credited on February 28, 2018 in the amount of \$14,975.87 for a correction and this customer's account was credited again on March 3, 2018 for \$14,975.00. We noted the customer stopped paying their utility bill after the second credit was applied to their account and this credit was not corrected until August of 2018.
- We noted it is an unwritten policy to give customers credit to their accounts in the event of a water leak and one instance where a customer was credited \$1,800.68.

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**Criteria:** Governmental Audit Standards 6.15c defines internal control as the plan, policies, methods and procedures adopted by management to meet its missions, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operating. It includes a system for measuring, reporting and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; noncompliance with provisions of laws, regulations, contracts or grant agreements; or abuse.

**Effect:** The City is exposed to risk that errors, fraud, noncompliance with provisions of laws, regulations, and contracts or grant agreements will not be detected or corrected in a timely manner in the Utility Department.

**Cause:** The City's policies requiring review of all utility customer account adjustments are new and are being implemented, but were not followed during the year.

**Auditors' Recommendation:** We recommend that the City's Management and Utility Personnel work together to ensure that the policies in place become fully implemented.

**Management's Response:** As of date of the Audit Report for June 30, 2018, the City believes all the above have been resolved.

**Responsible Party / Timeline:** City Clerk / June 30, 2019

**FS 2018-007 — Tone at the Top - Significant Deficiency**

**Condition:** During our audit procedures we noted the City appears to lack a proper "Tone at the Top". It was noted that Governing Body, Managers and other Employees had knowledge of various issues in the City including the following:

- Employees taking time off without running this leave through payroll.
- An employee using a City vehicles for personal use and there was no action taken to correct this abuse.
- An employee of the City put a personal vending machine on City property without an agreement or proper permission and there was no action taken,

We also noted various employees in the City appeared to fear communicating with upper management, the City Council and us due to having a fear of losing their jobs or being disciplined for sharing information, and there appears to be a severe lack of communication between Employees, Management and the Governing Body relating to various issues. We noted various other allegations and possible issues that Management and the Governing Body had knowledge of and had not addressed or started investigating until these issued were brought to our attention during field work.

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**Criteria:** Setting the proper tone starts with Managers at all levels leading by example and with commitment towards openness, honesty, integrity, and ethical behavior. Leaders should demonstrate through their own actions their commitment to honesty, ethical strength, reliability, and fairness. Governance and Management cannot act without these qualities and expect others in the City to behave differently. Governance and Management must clearly communicate its ethics and values throughout the area they manage. These values could be communicated formally through written codes of conduct and policies, staff meetings, memos, or informally during day to day operations. Management and Governance should have clearly defined rolls. The roll of Governance is to represent, plan strategic direction, set the organization's goals, lead the organization, make the policies, oversee financial direction and accountability, supervise and evaluate management, inspire and role model for staff. The roll of Management is to implement strategic plans, goals and policies made by governing body, administration, financial management, develop staff policies, and organize, supervise and evaluate the staff.

**Effect:** The City is exposing itself to risk that fraud and mistakes will not be detected and corrected in a timely manner.

**Cause:** Governance and Management of the City are aware of issues and unethical behavior that are occurring and they are not addressing these issues in a timely manner.

**Auditors' Recommendation:** We recommend the Governance and Management address all issues in a timely manner, set a tone at the top that encourages communication, openness, honesty, integrity, and ethical behavior through the City. We recommend that governance set the directive that the Policies of the City will be carried out by Management, and lead by example by following all of internal policies, and that Management carry out these directives without exception.

**Management's Response:** The Governing Body intends to set a directive and lead by example that all internal policies and procedures are expected to be followed by everyone associated with the City. Management will start updating and implementing policies and procedures through the City that will sets the tone that the City will not tolerate individuals breaking internal policies and procedures, and all internal policies and procedures will be followed by all individuals at every level of the City.

**Responsible Party / Timeline:** City Manager / June 30, 2019



JERAH R. CORDOVA  
MAYOR

DAVID CARTER  
MAYOR PRO-TEM

LEONA VIGIL  
CITY MANAGER

## CITY OF BELEN

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WAYNE R. GALLEGOS  
CITY COUNCILMAN

FRANK F. ORTEGA  
CITY COUNCILMAN

RONNIE M. TORRES  
CITY COUNCILMAN

## Auditee Corrective Action Plan

### **FS 2009-001- PERA Reporting and Contribution Remittances - Material Weakness - Repeated/Modified**

**Corrective action Plan:** The City is working in contact with the State Auditor's Office to seek consent for agreed upon procedures concerning PERA submittals between 2008 and 2009 to understand the scope of the possible issue. Based on the results of this work, the City will decide if additional years will need to be reconciled.

**Responsible Person:** The Payroll benefits specialist will ensure all PERA submittals are correct going forward, and the City Manager will be responsible to ensure a review of past PERA submittals is completed by contracting with an independent company in fiscal year 2019.

**Anticipated Completion Date:** June 30, 2019

### **FS 2009-004 - Lack of Budgetary Control, Expenditures in Excess of Budget and Budgeted Cash in Excess of Available Balance - Other Matters and Non - Compliance - Repeated/Modified**

**Corrective action Plan:** The Finance Director along with other Finance Staff will review the budgetary reports by fund on a continuous basis and ensure there is adequate cash reserved to supplement expenditures in excess of budgeted revenues.

**Responsible Person:** Finance Director

**Anticipated Completion Date:** June 30, 2019

### **FS 2013-002 - Department of Finance and Administration Cash Report - Other Matters and Non - Compliance - Repeated/Modified**

**Corrective action Plan:** The City is in the process of fixing the cash groupings in our Financial Management System we use to report ending cash balances to the DFA to include cash held at the NMFA. Once the reconciliation is complete, the adjustments will be submitted to the Governing Body for approval. The approved adjustments will be submitted to DFA for the department's approval to adjust beginning cash balances for the current fiscal year. Finance Director/Staff will reconcile to tie together the balances.

**Responsible Person:** Finance Director

**Anticipated Completion Date:** June 30, 2019

**FS 2014-003 - Compliance with the Anti-Donation Clause - In-Kind Services - Other Matters and Non - Compliance - Repeated/Modified**

**Corrective action Plan:** The City administrative staff will create and implement updated policies to address these issues, asking for the support of the City Council in the implementation and compliance of said policies. Given the City is still not in compliance with these issues in fiscal year 2019 we anticipate to be in compliance in fiscal year 2020.

**Responsible Person:** The City Manager

**Anticipated Completion Date:** June 30, 2020

**FS 2016-001 - COSO Framework Monitoring - Significant Deficiency - Repeated/Modified**

**Corrective action Plan:** The City Manager has mandated all department heads to create and implement a policy for each of their departments concerning comprehensive financial internal controls and processes. These policies are planned on being fully implemented by June 30, 2019.

**Responsible Person:** The City Manager

**Anticipated Completion Date:** June 30, 2019

**FS 2018-001 - Fund Balances - Significant Deficiency**

**Corrective action Plan:** The Finance Director/Finance Staff will continue to review our internal reporting system for any misstatements and verify adjustments in the reporting sub-systems. As updates are implemented on our software system we are recognizing allocations that cause balances to be misstated. Further the Finance Director will perform a reconciliation of the fund balances at year end before submitting the trial balance to our Independent Auditor.

**Responsible Person:** Finance Director

**Anticipated Completion Date:** June 30, 2019

**FS 2018-002 - Expenditures Without Proper Documentation - Other Matters and Non - Compliance**

**Corrective action Plan:** Department Heads have been given a copy of the provision from the City's Financial Policy and asked to post it in a conspicuous place. Requisitions are being returned for proper documentation of bids/quotes. Also, Management will require vendors to submit vendor invoices in a form and content that can be verified by the City as to actual services rendered before making payment.

**Responsible Person:** Finance Director

**Anticipated Completion Date:** June 30, 2019

**FS 2018-003 - Procurement of Services - Other Matters and Non - Compliance**

**Corrective action Plan:** The City will create a policy that allows for Committee approval of RFP evaluation selections based on the score of the evaluation determined by the Committee itself.

**Responsible Person:** City Manager and the Governing Body

**Anticipated Completion Date:** June 30, 2019



**FS 2018-004 - Untimely Deposits of Cash Receipts - Other Matters and Non - Compliance**

**Corrective action Plan:** The City hired a full time Utility Supervisor who can now provide coverage so that deposits can be made within a 24 hour period.

**Responsible Person:** City Clerk

**Anticipated Completion Date:** June 30, 2019

**FS 2018-005 - Capital Assets - Other Matters and Non – Compliance**

**Corrective action Plan:** The Council adopted Resolution 2016-03 committing to complete and implement an Asset Management Plan, staff will be requesting additional funds to support the creation of one staff position to implement this goal.

**Responsible Person:** Finance Director

**Anticipated Completion Date:** June 30, 2019

**FS 2018-006 - Utility Customer Accounts - Other Matter and Non-Compliance**

**Corrective action Plan:** The City implemented a policy where we will no longer adjust customer utility accounts for leaks on the customer’s side of the meter. We expect customer utility adjustments to be very minimal in fiscal year 2019.

**Responsible Person:** City Clerk

**Anticipated Completion Date:** June 30, 2019

**FS 2018-007 - Tone at the Top - Significant Deficiency**

**Corrective action Plan:** The Governing Body intends to set a directive and lead by example so that all internal policies and procedures are expected to be followed by everyone associated with the City. Management will start updating and implementing policies and procedures throughout the City that will sets the tone that the City will not tolerate individuals breaking internal policies and procedures, and all internal policies and procedures will be followed by all individuals at every level of the City.

**Responsible Person:** City Manager

**Anticipated Completion Date:** June 30, 2019

**STATE OF NEW MEXICO  
City of Belen  
Exit Conference  
June 30, 2018**

**Exit Conference**

An exit conference was held on November 1, 2018. In attendance were the following:

Representing the City of Belen:

Wayne Gallegos	City Councilor
David Carter	City Councilor
Roseann Peralta	Finance Officer
Leona Vigil	City Manager
Brian McBain	City Clerk/Treasurer

Representing Southwest Accounting Solutions, LLC

Robert Peixotto, CPA    Managing Member

**Auditor Prepared Financial Statements**

Southwest Accounting Solutions, LLC prepared the GAAP-basis financial statements and footnotes of the City of Belen from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.