



STATE OF NEW MEXICO

City of Belen

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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

CITY COUNCIL

Jerah Cordova Mayor
Ronnie Torres Councilor
Frank F. Ortega..... Councilor
David Carter Councilor
Wayne Gallegos..... Councilor
Kathy Savilla Judge

ADMINISTRATIVE OFFICIALS

Leona Vigil City Manager
Roseann Peralta Finance Director
Elena Garcia Accounts Payable Clerk

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FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

Brian Colón, ESQ
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 fund of the City of Belen (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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 fund of the City, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management 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 and the Notes to the Required Supplementary Information on pages 70-78 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 Principals, 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, VI and VII 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 (Schedule VIII), the combining and individual non-major fund financial statements (Statement A-1 and Statement A-2) and the Supporting Schedules V, VI and 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 (Schedule VIII) and the combining and individual non-major fund financial statements (Statement A-1 and Statement A-2) and Supporting Schedules V, VI, 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 123-125 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 18, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 18, 2019

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,107,465	\$ 276,757	\$ 2,384,222
Restricted cash	5,035,364	57,700	5,093,064
Inventory	37,592	-	37,592
Property taxes receivable	179,717	-	179,717
Gross receipt taxes receivable	1,122,722	22,609	1,145,331
Other receivables, net	226,922	-	226,922
Customer receivables, net	-	930,813	930,813
Due from other funds	-	39,722	39,722
Total current assets	8,709,782	1,327,601	10,037,383
Noncurrent assets			
Customer deposits	-	205,011	205,011
Bond discounts, net of accumulated amortization of \$66,207	85,772	-	85,772
Bond insurance, net of accumulated amortization of \$50,258	53,082	-	53,082
Capital assets	102,895,402	49,787,448	152,682,850
Less: Accumulated Depreciation	(64,105,989)	(25,021,283)	(89,127,272)
Total noncurrent assets	38,928,267	24,971,176	63,899,443
Deferred outflows of resources			
Deferred outflows from pension	2,300,501	343,753	2,644,254
Deferred outflows from OPEB	97,914	14,586	112,500
Deferred amount on refunding of debt	307,211	-	307,211
Deferred outflows from economic development project (see Note 7)	500,000	-	500,000
Total deferred outflows	3,205,626	358,339	3,563,965
Total assets, and deferred outflows of resources	\$ 50,843,675	\$ 26,657,116	\$ 77,500,791

See Independent Auditors' Report and Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,016,845	\$ 245,570	\$ 1,262,415
Accrued salaries and benefits	100,060	21,103	121,163
Accrued interest	91,319	5,447	96,766
Due to other funds	39,722	-	39,722
Notes and bonds payable	1,283,144	102,702	1,385,846
Compensated absences	159,888	33,461	193,349
Landfill closure liability	-	12,535	12,535
Total current liabilities	<u>2,690,978</u>	<u>420,818</u>	<u>3,111,796</u>
Noncurrent liabilities			
Customer deposits	-	205,011	205,011
Notes and bonds payable	12,877,436	1,510,764	14,388,200
Compensated absences	22,382	27,869	50,251
Bond premiums, net of accumulated amortization of \$109,495	550,434	-	550,434
Landfill closure liability	-	211,052	211,052
Net pension liability	7,945,398	1,187,243	9,132,641
Net OPEB liability	3,169,833	473,652	3,643,485
Total noncurrent liabilities	<u>24,565,483</u>	<u>3,615,591</u>	<u>28,181,074</u>
Total Liabilities	<u>27,256,461</u>	<u>4,036,409</u>	<u>31,292,870</u>
Deferred inflows of resources			
Deferred inflows from pension	661,629	98,864	760,493
Deferred inflows from OPEB	865,754	129,366	995,120
Total Deferred inflows	<u>1,527,383</u>	<u>228,230</u>	<u>1,755,613</u>
Net Position			
Net investment in capital assets	24,628,833	23,152,699	47,781,532
Restricted for:			
Debt Service	1,234,798	-	1,234,798
Capital projects	1,937,320	57,700	1,995,020
Special Revenue	2,652,069	-	2,652,069
Unrestricted	(8,393,189)	(817,922)	(9,211,111)
Total net position	<u>22,059,831</u>	<u>22,392,477</u>	<u>44,452,308</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 50,843,675</u>	<u>\$ 26,657,116</u>	<u>\$ 77,500,791</u>

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

<u>Functions and Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,042,703	\$ 78,042	\$ 371,506	\$ -
Public Safety	5,165,352	300	363,417	-
Public Works	2,246,346	-	-	410,387
Culture and Recreation	2,534,939	332,678	1,484,464	110,000
Health and welfare	152,228	-	59,889	-
Interest on Long-Term Debt	450,994	-	-	-
Total Governmental Activities	12,592,562	411,020	2,279,276	520,387
Business-Type Activities				
Wastewater	1,799,465	1,324,477	-	-
Water	2,140,207	1,732,920	-	-
Solid Waste	1,652,784	1,398,544	-	-
Total Business-Type Activities	5,592,456	4,455,941	-	-
Total primary government	\$ 18,185,018	\$ 4,866,961	\$ 2,279,276	\$ 520,387

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 17)

Net Position - as restated

Net Position - ending

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

Government Activities	Business- Type Activities	Total
\$ (1,593,155)	\$ -	\$ (1,593,155)
(4,801,635)	-	(4,801,635)
(1,835,959)	-	(1,835,959)
(607,797)	-	(607,797)
(92,339)	-	(92,339)
(450,994)	-	(450,994)
<u>(9,381,879)</u>	<u>-</u>	<u>(9,381,879)</u>
-	(474,988)	(474,988)
-	(407,287)	(407,287)
-	(254,240)	(254,240)
-	<u>(1,136,515)</u>	<u>(1,136,515)</u>
<u>(9,381,879)</u>	<u>(1,136,515)</u>	<u>(10,518,394)</u>
1,214,564	-	1,214,564
6,606,152	366,850	6,973,002
332,742	-	332,742
307,106	-	307,106
70,996	-	70,996
19,846	118	19,964
375,210	3,524	378,734
(279,985)	279,985	-
<u>8,646,631</u>	<u>650,477</u>	<u>9,297,108</u>
<u>(735,248)</u>	<u>(486,038)</u>	<u>(1,221,286)</u>
20,445,310	22,878,515	43,323,825
2,349,769	-	2,349,769
<u>22,795,079</u>	<u>22,878,515</u>	<u>45,673,594</u>
<u>\$ 22,059,831</u>	<u>\$ 22,392,477</u>	<u>\$ 44,452,308</u>

**State of New Mexico
City of Belen
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>58th SOW Operations Special Revenue</u>	<u>GRT Revenue Bonds Debt Service</u>	<u>Debt Service</u>
Assets				
Cash and cash equivalents	\$ 175,632	\$ -	\$ -	\$ -
Restricted cash	722,552	2,177,821	363,799	849,276
Inventory	-	-	-	-
Property taxes receivable	138,452	-	41,265	-
Gross receipt taxes receivable	853,289	-	-	-
Other receivables	54,801	-	-	-
Total assets	<u>\$ 1,944,726</u>	<u>\$ 2,177,821</u>	<u>\$ 405,064</u>	<u>\$ 849,276</u>
Liabilities, deferred inflows of resources and fund balance				
Liabilities				
Accounts payable	\$ 93,461	\$ 268,706	\$ 4,207	\$ -
Accrued salaries and benefits	97,910	-	-	-
Due to other funds	39,722	-	-	-
Total liabilities	<u>231,093</u>	<u>268,706</u>	<u>4,207</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred inflows - property taxes	78,663	-	15,335	-
Total liabilities and deferred inflows of resources	<u>309,756</u>	<u>268,706</u>	<u>19,542</u>	<u>-</u>
Fund balance				
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	1,909,115	-	-
Debt service expenditures	-	-	385,522	849,276
Capital projects	-	-	-	-
Committed to:				
Minimum fund balance	578,792	-	-	-
Unassigned	1,056,178	-	-	-
Total fund balances	<u>1,634,970</u>	<u>1,909,115</u>	<u>385,522</u>	<u>849,276</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,944,726</u>	<u>\$ 2,177,821</u>	<u>\$ 405,064</u>	<u>\$ 849,276</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Infrastructure Improvements Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 449,166	\$ 1,482,667	\$ 2,107,465
882,916	39,000	5,035,364
-	37,592	37,592
-	-	179,717
-	269,433	1,122,722
-	172,121	226,922
<u>\$ 1,332,082</u>	<u>\$ 2,000,813</u>	<u>\$ 8,709,782</u>
\$ 128,346	\$ 522,125	\$ 1,016,845
-	2,150	100,060
-	-	39,722
<u>128,346</u>	<u>524,275</u>	<u>1,156,627</u>
-	-	93,998
<u>128,346</u>	<u>524,275</u>	<u>1,250,625</u>
-	133,172	133,172
-	311,149	311,149
-	209,459	209,459
-	89,174	1,998,289
-	-	1,234,798
1,203,736	733,584	1,937,320
-	-	578,792
-	-	1,056,178
<u>1,203,736</u>	<u>1,476,538</u>	<u>7,459,157</u>
<u>\$ 1,332,082</u>	<u>\$ 2,000,813</u>	<u>\$ 8,709,782</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, 2019

Exhibit B-1

Page 2 of 2

Total Fund Balance - Governmental Funds \$ 7,459,157

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	85,772
Bond insurance costs	53,082

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 307,211

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

Capital assets	102,895,402
Less: Accumulated depreciation	(64,105,989)

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

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

Accrued interest	(91,319)
------------------	----------

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	2,300,501
Deferred inflows from pension	(661,629)
Deferred outflows from OPEB	97,914
Deferred inflows from OPEB	(865,754)

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

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	(182,270)
Bond premiums	(550,434)
Loans payable	(14,160,580)
Net pension liability	(7,945,398)
Net OPEB liability	(3,169,833)

Total net position of governmental activities \$ 22,059,831

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

	<u>General Fund</u>	<u>58th SOW Operations Special Revenue</u>	<u>GRT Revenue Bonds Debt Service</u>	<u>Debt Service</u>
Revenues				
Property taxes	\$ 802,744	\$ -	\$ 411,820	\$ -
Gross receipt taxes	4,918,876	-	-	-
Gas taxes	54,111	-	-	-
Franchise taxes	307,106	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	371,506	-	-	-
State capital grants	-	-	-	-
Federal operating grants	11,294	1,483,764	-	-
Federal capital grants	-	-	-	-
Charges for services	78,042	-	-	-
Licenses and fees	98,332	-	-	-
Interest income	1,886	-	-	17,960
Miscellaneous income	50,155	-	-	-
Total revenue	<u>6,694,052</u>	<u>1,483,764</u>	<u>411,820</u>	<u>17,960</u>
Expenditures				
Current:				
General government	1,451,137	-	5,207	-
Public safety	3,546,640	-	-	-
Public works	840,988	-	-	-
Culture and recreation	698,827	910,954	-	-
Health and welfare	-	-	-	-
Capital outlay	148,264	546,370	-	152,941
Debt service:				
Principal	-	-	285,000	696,091
Interest	-	-	121,637	159,707
Total expenditures	<u>6,685,856</u>	<u>1,457,324</u>	<u>411,844</u>	<u>1,008,739</u>
Excess (deficiency) of revenues over expenditures	<u>8,196</u>	<u>26,440</u>	<u>(24)</u>	<u>(990,779)</u>
Other financing sources (uses)				
Transfers in	265,830	-	-	453,315
Transfers out	(78,206)	-	(166,747)	-
Loan proceeds	-	-	-	163,728
Total other financing sources (uses)	<u>187,624</u>	<u>-</u>	<u>(166,747)</u>	<u>617,043</u>
Net change in fund balance	195,820	26,440	(166,771)	(373,736)
Fund balance - beginning of year	1,439,150	1,882,675	552,293	1,223,012
Fund balance - end of year	<u>\$ 1,634,970</u>	<u>\$ 1,909,115</u>	<u>\$ 385,522</u>	<u>\$ 849,276</u>

<u>Infrastructure Improvements Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,214,564
-	1,687,276	6,606,152
-	278,631	332,742
-	-	307,106
-	70,996	70,996
-	373,591	745,097
196,916	323,471	520,387
-	39,121	1,534,179
-	-	-
-	332,978	411,020
-	139,234	237,566
-	-	19,846
-	87,489	137,644
196,916	3,332,787	12,137,299
-	110,409	1,566,753
-	415,185	3,961,825
42,396	839,563	1,722,947
-	334,517	1,944,298
-	116,759	116,759
2,433,256	436,455	3,717,286
-	260,000	1,241,091
-	186,350	467,694
2,475,652	2,699,238	14,738,653
(2,278,736)	633,549	(2,601,354)
278,000	919,862	1,917,007
-	(1,952,039)	(2,196,992)
-	-	163,728
278,000	(1,032,177)	(116,257)
(2,000,736)	(398,628)	(2,717,611)
3,204,472	1,875,166	10,176,768
\$ 1,203,736	\$ 1,476,538	\$ 7,459,157

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

Net Change in Fund Balance - Governmental Funds \$ (2,717,611)

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	3,717,286
Depreciation expense	(2,071,686)

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	(792,829)
Change in OPEB liability	42,635

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	7,358
Increase in accrued compensated absences	(3,039)

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	1,241,091
Proceeds from debt issuance	(163,728)
Amortization of deferred outflows related to debt refunding	(25,418)
Amortization of bond premiums	40,922
Amortization of bond discounts	(6,162)
Amortization of bond insurance cost	(4,067)

Change in Net Position of Governmental Activities \$ (735,248)

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, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property taxes	\$ 700,000	\$ 795,358	\$ 795,358	\$ -
Gross receipts taxes	4,514,500	4,801,500	4,979,274	177,774
Franchise tax	220,000	259,255	259,255	-
Gasoline and motor vehicle	52,000	52,000	49,604	(2,396)
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	447,000	481,237	382,800	(98,437)
State capital grants	-	-	-	-
Charges for services	66,000	75,000	78,042	3,042
Licenses and fees	149,700	149,700	98,332	(51,368)
Interest income (loss)	3,000	3,000	1,886	(1,114)
Miscellaneous	137,500	208,369	137,463	(70,906)
Total revenue	<u>6,289,700</u>	<u>6,825,419</u>	<u>6,782,014</u>	<u>(43,405)</u>
Expenditures				
Current				
General government	1,501,708	1,818,288	1,537,786	280,502
Public safety	3,332,540	3,543,517	3,516,617	26,900
Public works	996,416	1,018,816	840,988	177,828
Culture and recreation	634,184	703,687	698,827	4,860
Capital outlay	167,000	229,688	206,913	22,775
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>6,631,848</u>	<u>7,313,996</u>	<u>6,801,131</u>	<u>512,865</u>
Excess (deficiency) of revenues over expenditures	<u>(342,148)</u>	<u>(488,577)</u>	<u>(19,117)</u>	<u>469,460</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	342,148	488,577		
Transfers in	400,000	566,747	265,830	(300,917)
Transfers out	(57,436)	(340,206)	(78,206)	262,000
Loan proceeds	-	-	0	-
Total other financing sources (uses)	<u>342,564</u>	<u>226,541</u>	<u>187,624</u>	<u>(38,917)</u>
Net Change in fund balance	<u>416</u>	<u>(262,036)</u>	<u>168,507</u>	
Fund balance - beginning of year			<u>1,439,150</u>	
Fund balance - end of year			<u>\$ 1,607,657</u>	
Net change in fund balance (non-GAAP budgetary basis)			<u>168,507</u>	
Adjustments to revenue for changes in receivables			<u>(87,962)</u>	
Adjustment to expenditures for changes in payables			<u>115,275</u>	
Net Change in fund balance (GAAP basis)			<u>\$ 195,820</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit C-2

City of Belen

58th SOW Operations

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

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes	-	-	-	-
Franchise taxes	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	1,483,764	1,483,764	1,854,705	370,941
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>1,483,764</u>	<u>1,483,764</u>	<u>1,854,705</u>	<u>370,941</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,045,058	1,045,058	978,813	66,245
Capital outlay	384,400	384,400	277,805	106,595
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,429,458</u>	<u>1,429,458</u>	<u>1,256,618</u>	<u>172,840</u>
Excess (deficiency) of revenues over expenditures	<u>54,306</u>	<u>54,306</u>	<u>598,087</u>	<u>198,101</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(54,306)	(54,306)	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	<u>54,306</u>	<u>54,306</u>	<u>598,087</u>	<u>543,781</u>
Fund balance - beginning of year			<u>1,882,675</u>	
Fund balance - end of year			<u>\$ 2,480,762</u>	
Net change in fund balance (non-GAAP budgetary basis)			598,087	
Adjustments to revenue for changes in receivables			(370,941)	
Adjustment to expenditures for changes in payables			<u>(200,706)</u>	
Net Change in fund balance (GAAP basis)			<u>\$ 26,440</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, 2019

Exhibit D-1

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 103,839	\$ 78,347	\$ 94,571	\$ 276,757
Restricted cash and cash equivalents	-	57,700	-	57,700
Other receivables	22,609	-	-	22,609
Accounts receivable, net	272,845	365,006	292,962	930,813
Due from other funds	-	39,722	-	39,722
Total current assets	<u>399,293</u>	<u>540,775</u>	<u>387,533</u>	<u>1,327,601</u>
Noncurrent assets				
Customer deposits		205,011	-	205,011
Capital Assets	29,051,684	19,895,783	839,981	49,787,448
Less: Accumulated depreciation	(17,538,090)	(7,221,205)	(261,988)	(25,021,283)
Total noncurrent assets	<u>11,513,594</u>	<u>12,879,589</u>	<u>577,993</u>	<u>24,971,176</u>
Deferred outflows of resources				
Deferred outflows from pension	105,770	198,319	39,664	343,753
Deferred outflows from OPEB	4,457	8,441	1,688	14,586
Total deferred outflows of resources	<u>110,227</u>	<u>206,760</u>	<u>41,352</u>	<u>358,339</u>
Total assets, and deferred outflows of resources	<u>\$ 12,023,114</u>	<u>\$ 13,627,124</u>	<u>\$ 1,006,878</u>	<u>\$ 26,657,116</u>
Liabilities, deferred inflows and net position				
Liabilities				
Accounts payable	\$ 11,759	\$ 136,733	\$ 97,078	\$ 245,570
Accrued salaries and benefits	6,685	11,012	3,406	21,103
Accrued interest	-	5,447	-	5,447
Notes and bonds payable	23,757	78,945	-	102,702
Compensated absences	12,245	17,366	3,850	33,461
Landfill closure liability	-	-	12,535	12,535
Total current liabilities	<u>54,446</u>	<u>249,503</u>	<u>116,869</u>	<u>420,818</u>
Noncurrent liabilities				
Customer deposits	-	205,011	-	205,011
Notes and bonds payable	126,402	1,384,362	-	1,510,764
Compensated absences	8,607	16,979	2,283	27,869
Landfill closure liability	-	-	211,052	211,052
Net pension liability	365,305	684,948	136,990	1,187,243
Net OPEB liability	145,739	273,261	54,652	473,652
Total noncurrent liabilities	<u>646,053</u>	<u>2,564,561</u>	<u>404,977</u>	<u>3,615,591</u>
Total Liabilities	<u>700,499</u>	<u>2,814,064</u>	<u>521,846</u>	<u>4,036,409</u>
Deferred inflows of resources				
Deferred inflows from pension	30,420	57,037	11,407	98,864
Deferred inflows from OPEB	39,805	74,634	14,927	129,366
Total deferred inflows of resources	<u>70,225</u>	<u>131,671</u>	<u>26,334</u>	<u>228,230</u>
Net position				
Net investment in capital asset	11,363,435	11,211,271	577,993	23,152,699
Restricted for:				
Capital projects	-	57,700	-	57,700
Unrestricted	(111,045)	(587,582)	(119,295)	(817,922)
Total net position	<u>11,252,390</u>	<u>10,681,389</u>	<u>458,698</u>	<u>22,392,477</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,023,114</u>	<u>\$ 13,627,124</u>	<u>\$ 1,006,878</u>	<u>\$ 26,657,116</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, 2019**

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,324,477	\$ 1,732,920	\$ 1,398,544	\$ 4,455,941
Total operating revenues	<u>1,324,477</u>	<u>1,732,920</u>	<u>1,398,544</u>	<u>4,455,941</u>
Operating expenses:				
Depreciation and amortization	751,953	444,226	70,867	1,267,046
Personnel services	469,029	796,552	178,317	1,443,898
Contractual services	11,689	64,628	1,187,514	1,263,831
Supplies	-	3,209	-	3,209
Maintenance and Materials	252,560	476,922	77,131	806,613
Utilities	178,645	160,912	2,680	342,237
Miscellaneous	133,766	191,563	136,275	461,604
Total operating expense	<u>1,797,642</u>	<u>2,138,012</u>	<u>1,652,784</u>	<u>5,588,438</u>
Operating income (loss)	<u>(473,165)</u>	<u>(405,092)</u>	<u>(254,240)</u>	<u>(1,132,497)</u>
Non-operating revenues (expense):				
Gross receipts taxes	137,791	229,059	-	366,850
Interest income	-	118	-	118
Interest expense	(1,823)	(2,195)	-	(4,018)
Miscellaneous income (expense)	-	3,524	-	3,524
Total non-operating revenues (expense)	<u>135,968</u>	<u>230,506</u>	<u>-</u>	<u>366,474</u>
Income (loss) before contributions and transfers	<u>(337,197)</u>	<u>(174,586)</u>	<u>(254,240)</u>	<u>(766,023)</u>
Transfers in	84,950	388,267	-	473,217
Transfers out	(88,315)	(84,917)	(20,000)	(193,232)
State and federal capital grants	-	-	-	-
Total contributions and transfers	<u>(3,365)</u>	<u>303,350</u>	<u>(20,000)</u>	<u>279,985</u>
Change in Net Position	<u>(340,562)</u>	<u>128,764</u>	<u>(274,240)</u>	<u>(486,038)</u>
Net Position, beginning of year	<u>11,592,952</u>	<u>10,552,625</u>	<u>732,938</u>	<u>22,878,515</u>
Net Position - end of the year	<u>\$ 11,252,390</u>	<u>\$ 10,681,389</u>	<u>\$ 458,698</u>	<u>\$ 22,392,477</u>

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

Exhibit D-3

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flow from operating activities				
Cash received from customers	\$ 1,320,842	\$ 1,727,851	\$ 1,397,602	\$ 4,446,295
Cash payments to employees for services	(429,460)	(758,068)	(159,537)	(1,347,065)
Cash payments to suppliers for goods and services	(575,943)	(1,204,097)	(1,412,373)	(3,192,413)
Net cash provided from operating activities	<u>315,439</u>	<u>(234,314)</u>	<u>(174,308)</u>	<u>(93,183)</u>
Cash flow from noncapital financing activities				
Intergovernmental taxes and grants	139,281	229,059	-	368,340
Miscellaneous	-	3,524	-	3,524
Transfers	(203,365)	503,350	(20,000)	279,985
Net cash flows provided (used) by noncapital financing activities	<u>(64,084)</u>	<u>735,933</u>	<u>(20,000)</u>	<u>651,849</u>
Cash Flows from capital and related financing activities				
Interest paid	(1,823)	1,151	-	(672)
Principal payments	(13,569)	(13,159)	-	(26,728)
Loan proceeds	163,728	5,000	-	168,728
Acquisition of capital assets	(378,698)	(1,258,546)	(36,918)	(1,674,162)
Net cash provided (used) by capital and related financing activities	<u>(230,362)</u>	<u>(1,265,554)</u>	<u>(36,918)</u>	<u>(1,532,834)</u>
Cash flows from investing activities				
Interest income	-	118	-	118
Net cash provided by investing activities	<u>-</u>	<u>118</u>	<u>-</u>	<u>118</u>
Net increase (decrease) in cash and cash equivalents	20,993	(763,817)	(231,226)	(974,050)
Cash & cash equivalents - beginning of year	82,846	1,104,875	325,797	1,513,518
Cash & cash equivalents - end of year	<u>\$ 103,839</u>	<u>\$ 341,058</u>	<u>\$ 94,571</u>	<u>\$ 539,468</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (473,165)	\$ (405,092)	\$ (254,240)	\$ (1,132,497)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	751,953	444,226	70,867	1,267,046
Employer pension and OPEB contributions	35,691	41,884	17,858	95,433
Changes in assets & liabilities:				
Receivables	(3,635)	(5,069)	(942)	(9,646)
Accounts payable	717	(306,863)	3,762	(302,384)
Accrued salaries and benefits	693	595	143	1,431
Compensated absences	3,185	3,829	779	7,793
Customer deposits	-	(7,824)	-	(7,824)
Net change in landfill liability	-	-	(12,535)	(12,535)
Net cash provided (used) by operating activities	<u>\$ 315,439</u>	<u>\$ (234,314)</u>	<u>\$ (174,308)</u>	<u>\$ (93,183)</u>

See Independent Auditors' Report and Notes to Financial Statements

FIDUCIARY FUNDS

STATE OF NEW MEXICO
City of Belen
Statement of Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

Exhibit-E

	Balance June 30, 2019
Assets	
Cash and cash equivalents	\$ 370,000
Total assets	<u>\$ 370,000</u>
Liabilities	
Deposits held in trust for others	\$ 370,000
Total liabilities	<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, 2019

NOTE 1. Summary of Significant Accounting Policies

The City of Belen (City) was incorporated in 1918. The City operates under a Mayor-Council-Manager 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, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not have any component units required to be reported under GASB Statements No. 14, No. 39, and No. 61.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 improve and maintain the City's Airport runways and the Airforce to have use of the runways 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, 2019

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, 2019 the City had no prepaid expenses.

Inventory: City inventories consist of fuel at the municipal airport. All Inventories are valued at lower of cost or market value. The City reports the inventories they purchase as an asset and defer the recognition of the expenditure until the period the inventories are sold.

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets: Capital assets, which include property, plant, utility systems, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. 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	10-40
Machinery and equipment	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, 2019, along with applicable PERA and Retiree Health Care.

Unearned Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned, it also has 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, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a recognized consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred outflows for pension liabilities, 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 800 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, 2019

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, 2019 the City reported \$0 in non-spendable fund balances.

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

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

At June 30, 2019, the City has presented restricted and committed fund balance on the governmental funds balance sheet in the amount of \$6,402,979 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, 2019

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 \$578,792 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, 2019

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The City Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019 is presented as part of the budgetary statements.

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, 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, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or by 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, 2019

NOTE 3. Deposits and Investments (continued)

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

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

All of the City's accounts at an insured depository institution, including time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978) that require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued to the City for at least one half the amount in excess of FDIC coverage on deposit with the institution.

At June 30, 2019, \$7,158,184 of the City's bank balance of \$7,565,136 was exposed to custodial credit risk. \$4,297,509 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 \$2,860,675 was uninsured and uncollateralized at June 30, 2019.

	Wells Fargo	My Bank	Bank of Albuquerque	Total
Deposits	\$ 7,408,184	\$ 117,952	\$ 39,000	\$ 7,565,136
Less: FDIC Coverage	(250,000)	(117,952)	(39,000)	(406,952)
Total uninsured public funds	<u>7,158,184</u>	<u>\$ -</u>	<u>-</u>	<u>7,158,184</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	4,297,509	-	-	4,297,509
Uninsured and uncollateralized	<u>\$ 2,860,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,860,675</u>
Collateral requirements (50% of uninsured funds)	\$ 3,579,092	\$ -	\$ -	\$ 3,579,092
Pledged Collateral	4,297,509	-	-	4,297,509
Over (under) collateralized	<u>\$ 718,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,417</u>

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

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	\$ 2,384,222
Restricted cash and cash equivalents per Exhibit A-1	5,093,064
Total customer deposits per Exhibit A-1	205,011
Agency cash Exhibit E	<u>370,000</u>
Total cash and cash equivalents	<u>\$ 8,052,297</u>
Add: Outstanding checks	\$ 175,484
Less: Outstanding deposits	(13,470)
Less: Petty cash	(600)
Less: Cash held at the NMFA	<u>(648,575)</u>
Bank balance of deposits	<u><u>\$ 7,565,136</u></u>

NOTE 4. Accounts and Taxes Receivable

Receivables as of June 30, 2019 are as follows:

	Governmental Funds	Proprietary Funds	Total
Property taxes	\$ 179,717	\$ -	\$ 179,717
Gross receipts taxes	1,122,722	22,609	1,145,331
Franchise taxes	47,851	-	47,851
Gasoline taxes	32,054	-	32,054
Lodgers taxes	9,958		9,958
Other receivables:			
Customer receivables	3,573	970,631	974,204
State and federal grants	133,486		133,486
Total gross receivables	<u>\$ 1,529,361</u>	<u>\$ 993,240</u>	<u>\$ 2,522,601</u>
Less: allowance for customer receivables	<u>\$ -</u>	<u>(39,818)</u>	<u>\$ (39,818)</u>
Receivables, Net	<u><u>\$ 1,529,361</u></u>	<u><u>\$ 953,422</u></u>	<u><u>\$ 2,482,783</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, 2019

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, 2019 is as follows:

Due To Other Funds	Due From Other Funds	Amount
General Fund	Water	\$ 39,722

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

Transfer In	Transfer Out	Amount
General Fund	Parks & Recreation	19,083
RSVP	General Fund	51,436
Martin Luther King	General Fund	1,770
Department of Justice	General Fund	2,000
Confiscated Funds	General Fund	3,000
Property Abatement	General Fund	20,000
Debt Service	Fire Protection	49,020
GRT Revenue Bonds	1/8 GRT Infrastructure	252,944
Multi Purpose Park	1/8 GRT Infrastructure	302,000
Debt Service	1/2 GRT Infrastructure	291,063
GRT Revenue Bonds	1/2 GRT Infrastructure	276,992
Infrastructure Improvements	1/2 GRT Infrastructure	200,000
Water	1/2 GRT Infrastructure	300,000
Waste Water	1/2 GRT Infrastructure	84,950
Water	1/2 GRT Infrastructure	88,267
Judicial Fund	Corrections	9,720
Infrastructure Improvements	CDBG	78,000
General Fund	GRT Revenue Bonds	166,747
Debt Service	Waste Water	58,315
General Fund	Waste Water	30,000
Debt Service	Water	54,917
General Fund	Water	30,000
General Fund	Solid Waste	20,000
		\$ 2,390,224

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 6. Capital Assets

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

Governmental Activities:	Balance June 30, 2018	Restatement	Restated	Additions	Deletions	CIP Transfers	Balance June 30, 2019
Capital assets not being depreciated:							
Land	\$ 8,602,595	\$ -	\$ 8,602,595	\$ -	\$ -	\$ -	\$ 8,602,595
Construction in progress (CIP)	1,750,358	-	1,750,358	2,770,303	-	(3,632,460)	888,201
Total capital assets, not depreciated	10,352,953	-	10,352,953	2,770,303	-	(3,632,460)	9,490,796
Capital assets depreciated:							
Buildings	27,191,671	-	27,191,671	62,557	-	3,197,833	30,452,061
Equipment	3,552,718	-	3,552,718	460,448	(28,476)	-	3,984,690
Vehicles	2,779,726	-	2,779,726	132,691	(131,564)	-	2,780,853
Infrastructure	55,461,088	-	55,461,088	291,287	-	434,627	56,187,002
Total capital assets, depreciated	88,985,203	-	88,985,203	946,983	(160,040)	3,632,460	93,404,606
Total capital assets	99,338,156						102,895,402
Less accumulated depreciation:							
Buildings	15,271,424	(2,312,859)	12,958,565	638,401	-	-	13,596,966
Equipment	3,099,720	-	3,099,720	161,262	(28,476)	-	3,232,506
Vehicles	1,853,022	-	1,853,022	203,331	(131,564)	-	1,924,789
Infrastructure	44,283,036	-	44,283,036	1,068,692	-	-	45,351,728
Total accumulated depreciation	64,507,202	(2,312,859)	62,194,343	2,071,686	(160,040)	-	64,105,989
Capital Assets, Net	\$ 34,830,954						\$ 38,789,413

Depreciation expense was charged to the following Governmental Activities:

Governmental Activities:	
General Government	\$ 348,541
Public Safety	881,351
Public Works	383,288
Culture and Recreation	432,530
Health and welfare	25,974
Total depreciation expense, governmental activities	\$ 2,071,686

Business-type activities:	Balance June 30, 2018	Additions	Deletions	CIP Transfers	Balance June 30, 2019
Capital assets not depreciated:					
Land and water rights	\$ 2,696,019	\$ -	\$ -	\$ -	\$ 2,696,019
Construction in progress	661,625	679,155	-	(1,121,671)	219,109
Total capital assets not depreciated	3,357,644	679,155	-	(1,121,671)	2,915,128
Capital asset depreciated:					
Equipment	3,163,028	462,993	-	-	3,626,021
Buildings	9,576,567	199,036	-	-	9,775,603
Infrastructure	26,642,026	332,978	-	1,121,671	28,096,675
Waste Water System	5,374,021	-	-	-	5,374,021
Total capital assets, depreciated	44,755,642	995,007	-	1,121,671	46,872,320
Total capital assets	48,113,286				49,787,448
Less accumulated depreciation:					
Equipment	1,639,372	223,338	-	-	1,862,710
Buildings	7,237,578	256,360	-	-	7,493,938
Infrastructure	11,865,138	608,214	-	-	12,473,352
Waste Water System	3,012,149	179,134	-	-	3,191,283
Total accumulated depreciation	23,754,237	1,267,046	-	-	25,021,283
Capital Assets, Net	\$ 24,359,049				\$ 24,766,165

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

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:

<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, 2019 the City was unable to determine if Keter was in compliance with this agreement.

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, 2019 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.

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 8. Long-term Debt

Governmental Activities:

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

	Balance June 30, 2018	Restatement	Balance June 30, 2018 Restated	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Bonds	\$ 10,162,000	(25,000)	10,137,000	\$ -	\$ (588,000)	9,549,000	\$ 605,000
Loans	5,112,853	(11,910)	5,100,943	163,728	(653,091)	4,611,580	678,144
Total Loans Payable	<u>\$ 15,274,853</u>	<u>\$ (36,910)</u>	<u>\$ 15,237,943</u>	<u>\$ 163,728</u>	<u>\$ (1,241,091)</u>	<u>\$ 14,160,580</u>	<u>\$ 1,283,144</u>
Compensated Absences	\$ 179,231	\$ -	\$ 179,231	\$ 162,927	\$ 159,888	\$ 182,270	\$ 159,888
Total Long Term Debt	<u>\$ 15,454,084</u>	<u>\$ (36,910)</u>	<u>\$ 15,417,174</u>	<u>\$ 326,655</u>	<u>\$ (1,081,203)</u>	<u>\$ 14,342,850</u>	<u>\$ 1,443,032</u>

Bonds:

Fire Protection Revenue Bonds

On August 8, 2012 the City Series 2012 Fire Protection Revenue Bond for \$427,000 for the purposes of purchasing a fire pumper truck. The City pledged revenues from the Fire Protection funds disbursed by the State of New Mexico to the City.

GRT Revenue Bonds

In November of 2016 the City refunded the 2008 gross receipt tax (GRT) revenue bonds with series 2016 GRT revenue bonds by issuing \$5,725,000 which have an average interest rate of 3.66% and payments due on June 1st and December 1st. Revenues pledged to service these bonds are from state share GRT to the City made monthly by the New Mexico Taxation and Revenue Department pursuant to Section 7-1-6.4 NMSA 1978 and City Ordinance No. 2016-06.

General Obligation Bonds

On July 20, 2016 the City issued General Obligation Bonds Series 2016 in the amount of \$5,165,000 with an average interest rate of 2.51% and payments due every August 1st, and February 1st. Revenues pledged to repay these bonds are derived from property taxes pursuant to resolution 2015-17 and the special election approving the bonds was held on March 1, 2016. . The Funds were used to construct a new fire station and construct, repair and improve sidewalks in the City.

The bonds outstanding are as follows:

Description	Fiscal year Issued	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
Series 2012 Fire Protection Revenue Bonds	2000	13-Jul-22	3.50%	427,000	\$ 129,000
Series 2016 GO Bonds	2016	1-Aug-31	2.50 - 5.00%	5,165,000	4,605,000
Series 2016 GRT Refunding Bonds	2016	1-Jun-33	2.00 - 4.00%	5,725,000	4,815,000
Total					<u>\$ 9,549,000</u>

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 8. Long-term Debt (continued)

Governmental Activities (continued):

The annual requirements to amortize the above bonds outstanding as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 605,000	\$ 298,903	\$ 903,903
2021	631,000	281,853	912,853
2022	638,000	262,543	900,543
2023	615,000	240,288	855,288
2024	635,000	218,738	853,738
2025-2029	3,550,000	758,056	4,308,056
2030-2034	2,875,000	184,813	3,059,813
Total	<u>9,549,000</u>	<u>2,245,194</u>	<u>11,794,194</u>

Loans:

The City has four loans 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 revenues to cover debt service. The various NMFA and NMED Loans are as follows:

Description	Fiscal year Issued	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
NMFA Reinken Road (Belen #3)	2001	May-26	0.00%	4,779,793	\$ 58,423
NMED CWSRF (Loan # 1438036)	2003	Dec-22	2.00%	4,049,684	943,044
NMFA Refinancing WW/W Belen 9)	2011	May-32	1.78-4.83%	2,220,008	1,040,858
NMFA Refinance Reinken (Belen 10)	2012	May-26	1.45-4.02%	3,355,652	1,714,148
NMED CWSRF (Loan # 020)	2017	Sep-36	2.00%	781,290	704,948
NMFA Wheel Loader (Belen PPRF-4760)	2019	May-25	2.08%	163,728	150,159
					<u>\$ 4,611,580</u>

The annual requirements to amortize the NMFA Loans as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	678,144	138,104	\$ 816,248
2021	584,733	121,024	705,757
2022	601,307	105,428	706,735
2023	616,221	89,358	705,579
2024	386,416	72,292	458,708
2025-2029	1,136,085	183,429	1,319,514
2030-2034	472,574	43,873	516,447
2035-2039	136,100	4,271	140,371
Total	<u>\$ 4,611,580</u>	<u>\$ 757,779</u>	<u>\$ 5,369,359</u>

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 8. Long-term Debt (continued)

Governmental Activities (continued):

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, 2019, compensated absences increased \$3,039 from the prior year accrual. In prior years, the general fund was typically used to liquidate such liabilities.

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, 2019:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Loans and Notes Payable	\$ 1,471,466	\$ 168,728	\$ (26,728)	\$ 1,613,466	\$ 102,702
Landfill Closure Liability	236,122	-	(12,535)	223,587	12,535
Compensated Absences	53,537	39,284	(31,491)	61,330	33,461
Total Long Term Debt	\$ 1,761,125	\$ 208,012	\$ (70,754)	\$ 1,898,383	\$ 148,698

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, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 102,702	\$ 26,129	\$ 128,831
2021	100,172	23,734	123,906
2022	102,007	21,899	123,906
2023	103,883	20,027	123,910
2024	90,499	18,116	108,615
2025-2029	364,354	71,205	435,559
2030-2034	363,602	45,079	408,681
2035-2039	386,247	17,462	403,709
Total	<u>\$ 1,613,466</u>	<u>\$ 243,651</u>	<u>\$ 1,857,117</u>

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, 2019. The estimate of closure and post-closure costs has a balance of \$223,587. 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, 2019, compensated absences increased \$7,793 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. 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 liable for insurance deductibles ranging from \$1,000 to \$50,000 depending of tort or damage the City is exposed to. As of fiscal year 2019 the City is under numerous torts with unknown outcomes.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts.

As of June 30, 2019, 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.

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/>.

Benefits provided

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

Contributions

The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for 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 2018.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2018.pdf).

The PERA coverage options that apply to the City are: Municipal General, Municipal Police, and The Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$529,755 for the year ended June 30, 2019. The City did pick-up portions of the employee's contributions.

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

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

PERA Contribution Rates and Pension Factors as of July 1, 2018						
Plan	Employee		Employer	Pension		Pension
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

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

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

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

For PERA Fund Division Municipal General, at June 30, 2019, the City reported a liability of \$4,282,478 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .2686 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal General Pension expense of \$423,748. At June 30, 2019, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 123,773	\$ 112,435
Changes of assumptions	388,267	24,623
Net difference between projected and actual earnings on pension plan investments	317,610	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	185,296	65,094
City's contributions subsequent to the measurement date	<u>222,855</u>	<u>-</u>
Total	<u>\$ 1,237,801</u>	<u>\$ 202,152</u>

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

\$222,855 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 549,934
2021	225,875
2022	21,255
2023	15,730
2024	-
Total	<u>\$ 812,794</u>

For PERA Fund Division Municipal Police, at June 30, 2019, the City reported a liability of \$3,015,103 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .4419 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal Police pension expense of \$297,525. At June 30, 2019, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 147,606	\$ 298,875
Changes of assumptions	344,027	18,432
Net difference between projected and actual earnings on pension plan investments	207,482	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	141,840	7,752
City's contributions subsequent to the measurement date	<u>156,982</u>	<u>-</u>
Total	<u>\$ 997,937</u>	<u>\$ 325,059</u>

The City's contributions of \$156,982 are reported as deferred outflows of resources related to pensions, resulting in the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 310,277
2021	112,300
2022	82,351
2023	10,968
2024	-
Total	<u>\$ 515,896</u>

For PERA Fund Division Municipal Fire, at June 30, 2019, the City reported a liability of \$1,835,060 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .2867 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Fire pension expense of \$130,556. At June 30, 2019, 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	\$ 29,489	\$ 133,830
Changes of assumptions	105,981	6,701
Net difference between projected and actual earnings on pension plan investments	64,351	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	58,777	92,751
City's contributions subsequent to the measurement date	<u>149,918</u>	<u>-</u>
Total	<u>\$ 408,516</u>	<u>\$ 233,282</u>

\$149,918 reported as deferred outflows of resources related to pensions resulting in the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 71,806
2021	(32,728)
2022	(16,691)
2023	2,929
2024	-
Total	<u>\$ 25,316</u>

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

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

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed Market Value
Retirement	Changes to current assumed rates of
Disability	Lower rates for State police, Muni Male
Remaining Amortization Period	30 Years
Administrative Expenses	.5% of Payroll
Actuarial assumptions:	Fair value
Investment rate of return	7.25% Static
Payroll growth	3.00% Static
Projected salary increases	3.25%-13.5%
Real investment Return	4.75% above inflation.
Mortality assumption	RPH-2014 Blue Collar Mortality
Experience study dates	July 1, 2012 to June 30, 2017

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

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

Discount rate

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

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

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 6,599,012	\$ 4,282,478	\$ 2,367,493
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 4,635,991	\$ 3,015,103	\$ 1,693,695
<u>PERA Fund Division Fire Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 2,449,665	\$ 1,835,060	\$ 1,331,570

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

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

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

Changes of Benefit Terms

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

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

Changes of Assumptions

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

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. 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 \$74,909 for the year ending June 30, 2019.

At June 30, 2019, the City reported a liability of \$3,643,485 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2019, the City's proportion was 0.08379 percent.

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

For the year ended June 30, 2019, the City recognized OPEB expense of \$(55,965). At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 215,718
Changes of assumptions	-	680,223
Net difference between projected and actual earnings on pension plan investments	-	45,470
Changes in Proportion	-	53,709
City's contributions subsequent to the measurement date	112,500	-
Total	\$ 112,500	\$ 995,120

Deferred outflows of resources totaling \$112,500 represent the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Amount
2020	\$ (250,571)
2021	(250,571)
2022	(250,571)
2023	(196,096)
2024	(47,310)
Total	\$ (995,119)

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, 2019

NOTE 11. 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:

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

Discount Rate

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

<u>RHC Fund Division Municipal Government</u>	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
City's proportionate share of the net OPEB liability	\$ 4,670,123	\$ 3,643,485	\$ 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, 2018.

NOTE 12. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 18, 2019 which is the date on which the financial statements were available to be issued.

NOTE 13. Restricted net position

The government-wide statement of net position reports restricted net position in governmental funds of \$5,824,187. For descriptions of the related enabling legislation for special revenue, capital projects, see page 36 and pages 80-83 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 \$57,700. This amount is restricted for capital projects for water line extensions, and improvements.

NOTE 14. 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 \$943,044 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 \$943,044 and \$47,619 respectively.

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 15. 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	24,172
2020	24,172
2021	12,306
2022	-
2023	-
Total	<u>\$ 60,650</u>

NOTE 16. Related Party

As of June 30, 2019, the City's management was not aware of any related party relationships.

NOTE 17. Restatements

The City recorded a restatement to net position to prior year's government wide financial statements related to the following items:

In fiscal year 2008 and 2009 the City recorded twelve assets in building and improvements with their asset life being improperly entered as 10 years and they should have been entered as 40 years. This resulted in a restatement to accumulative depreciation by \$2,312,859.

In fiscal year 2018 the City was not able to confirm directly with the debt issuer of two debt issuances outstanding which resulted in the balance of debt outstanding being overstated by \$36,910.

NOTE 18. GASB 77 Disclosures (Tax Abatements)

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 19. 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

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 19. Joint Powers Agreements (continued)

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

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, 2019

NOTE 19. 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

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

STATE OF NEW MEXICO
City of Belen
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 19. Joint Powers Agreements (continued)

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

**STATE OF NEW MEXICO
City of Belen**

Schedule I
Page 1 of 3

**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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.2686%	0.2753%	0.2511%	0.2327%	0.2383%
City's proportionate share of the net pension liability (asset)	\$ 4,282,478	\$3,782,855	\$ 4,011,733	\$ 2,372,578	\$ 1,858,996
City's covered-employee payroll	\$ 2,333,565	\$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	190.43%	195.30%	209.72%	138.42%	125.60%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

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

See Independent Auditors' Report

**STATE OF NEW MEXICO
City of Belen**

Schedule I
Page 2 of 3

**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***

MUNICIPAL POLICE FUND	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.4419%	0.4333%	0.3960%	0.3881%	0.4182%
City's proportionate share of the net pension liability (asset)	\$ 3,015,103	\$2,407,266	\$ 2,921,806	\$ 1,866,202	\$ 1,363,286
City's covered-employee payroll	\$ 829,555	\$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	320.90%	263.67%	324.05%	200.33%	168.74%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

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

See Independent Auditors' Report

**STATE OF NEW MEXICO
City of Belen**

Schedule I
Page 3 of 3

**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***

MUNICIPAL FIRE FUND	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.2867%	0.3077%	0.3045%	0.2656%	0.2680%
City's proportionate share of the net pension liability (asset)	\$ 1,835,060	\$1,760,488	\$ 2,031,323	\$ 1,370,810	\$ 1,118,630
City's covered-employee payroll	\$ 522,363	\$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	669.19%	350.72%	402.52%	303.15%	397.99%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

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

See Independent Auditors' Report

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

Schedule II
Page 1 of 3

MUNICIPAL GENERAL FUND	2019	2018	2017	2016	2015
Contractually required contribution	\$ 222,855	\$ 125,899	\$ 124,336	\$ 317,945	\$ 297,215
Contributions in relation to the contractually required contribution	\$ 222,855	\$ 359,362	\$ 354,836	\$ 316,684	\$ 271,599
Contribution deficiency (excess)	\$ -	\$ (233,463)	\$ (230,500)	\$ 1,261	-
City's covered-employee payroll	\$ 2,333,565	\$ 1,936,914	\$ 1,912,863	\$ 1,713,991	\$ 1,619,650
Contributions as a percentage of covered-employee payroll	9.55%	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*

Schedule II
Page 2 of 3

MUNICIPAL POLICE FUND	2019	2018	2017	2016	2015
Contractually required contribution	\$ 156,786	\$172,556	\$ 170,413	\$ 201,863	\$ 218,958
Contributions in relation to the contractually required contribution	\$ 156,982	\$245,351	\$ 246,767	\$ 247,231	\$ 218,958
Contribution deficiency (excess)	\$ (196)	\$ (72,795)	\$ (76,354)	\$ (45,548)	\$ -
City's covered-employee payroll	\$ 829,555	\$912,994	\$ 901,657	\$ 931,560	\$ 807,916
Contributions as a percentage of covered-employee payroll	18.90%	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*

Schedule II
Page 3 of 3

MUNICIPAL FIRE FUND	2019	2018	2017	2016	2015
Contractually required contribution	\$ 149,918	\$108,676	\$ 109,257	\$ 85,463	\$ 94,208
Contributions in relation to the contractually required contribution	\$ 149,918	\$ 141,725	\$ 144,835	\$ 100,729	\$ 94,208
Contribution deficiency (excess)	\$ -	\$ (33,049)	\$ (35,578)	\$ (15,266)	\$ -
City's covered-employee payroll	\$ 458,233	\$501,966	\$ 504,651	\$ 452,185	\$ 315,078
Contributions as a percentage of covered-employee payroll	27.65%	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

STATE OF NEW MEXICO
City of Belen

Schedule III

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

CITY IN SUMMATION	2019	2018	2017
City's proportion of the net OPEB liability (asset)	0.0838%	0.0850%	0.0850%
City's proportionate share of the net OPEB liability	\$ 3,643,485.00	\$ 3,850,108	\$ 4,646,263
City's covered-employee payroll	\$ 3,403,284	\$ 3,568,450	\$ 3,647,200
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	107.06%	107.89%	127.39%

*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

CITY IN SUMMATION	2019	2018	2018
Contractually required contribution	\$ 68,066	\$ 71,369	\$ 72,944
Contributions in relation to the contractually required contribution	\$ 74,910	\$ 71,369	\$ 72,944
City's covered-employee payroll	\$ 3,403,284	\$ 3,568,450	\$ 3,647,200
Contributions as a percentage of covered-employee payroll	2.20%	2.00%	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

STATE OF NEW MEXICO
City of Belen
Notes to the Required Supplementary Information
June 30, 2019

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

Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30 2018 report is available at www.nmpera.org.

There were no major changes to benefit terms which impact the measurements provided in the Retirement Healthcare Fund. The 2018 report can be found at www.nmrhc.org.

Changes in Assumption

The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in PERA June 30, 2018 pension valuation. The Actuarial Assumptions are contained in Sections 3 of the RHCA GASB Actuarial Report.

See Independent Auditors' Report

SUPPLEMENTARY INFORMATION

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

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, 2019

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.

Alexander Airport

To account for a state grants and the sales of gas at teh City’s Municipal airport. 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, 2019

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

Park

To account for restricted resources accumulated and the payments made for financing capital projects and the servicing of general long-term debt for governmental funds. 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. Authorization is by City Council.

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

	Special Revenue			
	Parks & Recreation	Fire Protection	EMS Rescue	1/8 GRT Infrastructure
Assets				
Cash and cash equivalents	\$ 6,020	\$ 204,882	\$ -	\$ 557,368
Restricted cash	-	39,000	-	-
Inventory	-	-	-	-
Gross receipt taxes receivable	-	-	-	88,582
Other receivables	-	-	-	-
Total assets	\$ 6,020	\$ 243,882	\$ -	\$ 645,950
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ 2,213	\$ -	\$ 17,982
Accrued salaries and benefits	-	-	-	-
Total liabilities	-	2,213	-	17,982
Fund balance				
Nonspendable:				
Interfund Loans	-	-	-	-
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	241,669	-	-
Public works	-	-	-	-
Culture and recreation	6,020	-	-	-
Capital projects	-	-	-	627,968
Total fund balance	6,020	241,669	-	627,968
Total liabilities and fund balance	\$ 6,020	\$ 243,882	\$ -	\$ 645,950

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>Alexander Airport</u>
118,733	\$ 934	13,986	\$ 19,839	\$ -	\$ 5,000	\$ 27,279
-	-	-	-	-	-	-
-	-	-	-	-	-	37,592
180,851	-	-	-	-	-	-
-	-	-	-	-	-	3,573
<u>\$ 299,584</u>	<u>\$ 934</u>	<u>\$ 13,986</u>	<u>\$ 19,839</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 68,444</u>
386,386	\$ -	\$ 9,351	\$ -	\$ -	\$ -	\$ 27,733
-	-	-	-	-	-	-
<u>386,386</u>	<u>-</u>	<u>9,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,733</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	934	4,635	19,839	-	5,000	-
(86,802)	-	-	-	-	-	-
-	-	-	-	-	-	40,711
-	-	-	-	-	-	-
<u>(86,802)</u>	<u>934</u>	<u>4,635</u>	<u>19,839</u>	<u>-</u>	<u>5,000</u>	<u>40,711</u>
<u>\$ 299,584</u>	<u>\$ 934</u>	<u>\$ 13,986</u>	<u>\$ 19,839</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 68,444</u>

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

	Special Revenue			
	Lodger's Tax	Property Abatement	Judicial Fund	Martin Luther King
Assets				
Cash and cash equivalents	\$ 6,567	\$ 39,072	\$ 300	\$ 1,617
Restricted cash	-	-	-	-
Inventory	-	-	-	-
Gross receipt taxes receivable	-	-	-	-
Other receivables	9,958	-	-	-
Total assets	\$ 16,525	\$ 39,072	\$ 300	\$ 1,617
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 2,807	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Total liabilities	2,807	-	-	-
Fund balance				
Nonspendable:				
Interfund Loans	-	-	-	-
Spendable:				
Restricted for:				
General government	-	-	300	-
Public safety	-	39,072	-	-
Public works	-	-	-	-
Culture and recreation	13,718	-	-	1,617
Capital projects	-	-	-	-
Total fund balance	13,718	39,072	300	1,617
Total liabilities and fund balance	\$ 16,525	\$ 39,072	\$ 300	\$ 1,617

See Independent Auditors' Report and Notes to Financial Statements

<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Technology Infrastructure Fee</u>	<u>RSVP</u>	<u>Street Paving</u>	<u>GRT Revenue Bonds</u>	<u>Park</u>	<u>CDBG</u>	
\$ 135,200	\$ 25,732	\$ 316,518	\$ -	\$ 3,620	\$ -	\$ 1,482,667
-	-	-	-	-	-	39,000
-	-	-	-	-	-	37,592
-	-	-	-	-	-	269,433
-	4,242	32,054	-	122,294	-	172,121
<u>\$ 135,200</u>	<u>\$ 29,974</u>	<u>\$ 348,572</u>	<u>\$ -</u>	<u>\$ 125,914</u>	<u>\$ -</u>	<u>\$ 2,000,813</u>
2,328	\$ 716	52,311	\$ -	20,298	\$ -	\$ 522,125
-	2,150	-	-	-	-	2,150
<u>2,328</u>	<u>2,866</u>	<u>52,311</u>	<u>-</u>	<u>20,298</u>	<u>-</u>	<u>524,275</u>
-	-	-	-	-	-	-
132,872	-	-	-	-	-	133,172
-	-	-	-	-	-	311,149
-	-	296,261	-	-	-	209,459
-	27,108	-	-	-	-	89,174
-	-	-	-	105,616	-	733,584
<u>132,872</u>	<u>27,108</u>	<u>296,261</u>	<u>-</u>	<u>105,616</u>	<u>-</u>	<u>1,476,538</u>
<u>\$ 135,200</u>	<u>\$ 29,974</u>	<u>\$ 348,572</u>	<u>\$ -</u>	<u>\$ 125,914</u>	<u>\$ -</u>	<u>\$ 2,000,813</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, 2019

	Special Revenue			
	Parks & Recreation	Fire Protection	EMS Rescue	1/8 GRT Infrastructure
Revenues				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ 551,209
Gas taxes	-	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	700	309,686	10,437	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Charges for services	61,519	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous income	7,740	-	-	74,061
Total revenue	69,959	309,686	10,437	625,270
Expenditures				
Current:				
General government	-	-	-	26,310
Public safety	-	237,408	10,437	-
Public works	-	-	-	149,210
Culture and recreation	70,022	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	45,365	-	17,982
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	70,022	282,773	10,437	193,502
Excess (deficiency) of revenues over expenditures	(63)	26,913	-	431,768
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(19,083)	(49,020)	-	(554,944)
Total other financing sources (uses)	(19,083)	(49,020)	-	(554,944)
Net change in fund balance	(19,146)	(22,107)	-	(123,176)
Fund balance - beginning of year	25,166	263,776	-	751,144
Fund balance - end of year	\$ 6,020	\$ 241,669	\$ -	\$ 627,968

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue

1/2% GRT Infrastructure	Department of Justice	Correction	Evidence	Law Enforcement	Confiscated Funds	Alexander Airport
1,101,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	32,000	-	-
-	2,000	-	-	-	-	110,000
-	-	-	-	-	-	-
-	-	-	-	-	-	271,159
-	-	139,234	-	-	-	-
-	-	-	-	-	-	-
<u>1,101,922</u>	<u>2,000</u>	<u>139,234</u>	<u>-</u>	<u>32,000</u>	<u>-</u>	<u>381,159</u>
-	-	-	-	-	-	-
-	10,714	149,624	4,002	-	3,000	-
512,844	-	-	-	-	-	-
-	-	-	-	-	-	182,633
-	-	-	-	-	-	-
32,700	-	-	-	32,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>545,544</u>	<u>10,714</u>	<u>149,624</u>	<u>4,002</u>	<u>32,000</u>	<u>3,000</u>	<u>182,633</u>
556,378	(8,714)	(10,390)	(4,002)	-	(3,000)	198,526
-	2,000	-	-	-	3,000	-
(1,241,272)	-	(9,720)	-	-	-	-
(1,241,272)	2,000	(9,720)	-	-	3,000	-
(684,894)	(6,714)	(20,110)	(4,002)	-	-	198,526
598,092	7,648	24,745	23,841	-	5,000	(157,815)
<u>\$ (86,802)</u>	<u>\$ 934</u>	<u>\$ 4,635</u>	<u>\$ 19,839</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 40,711</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, 2019

	Special Revenue			
	Lodger's Tax	Property Abatement	Judicial Fund	Martin Luther King
Revenues				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	-
Lodger's taxes	70,996	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Charges for services	-	-	300	-
Licenses and fees	-	-	-	-
Miscellaneous income	-	-	-	1,648
Total revenue	70,996	-	300	1,648
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	15,110	-	4,488
Culture and recreation	81,862	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	81,862	15,110	-	4,488
Excess (deficiency) of revenues over expenditures	(10,866)	(15,110)	300	(2,840)
Other financing sources (uses)				
Transfers in	-	20,000	9,720	1,770
Transfers out	-	-	-	-
Total other financing sources (uses)	-	20,000	9,720	1,770
Net change in fund balance	(10,866)	4,890	10,020	(1,070)
Fund balance - beginning of year	24,584	34,182	(9,720)	2,687
Fund balance - end of year	\$ 13,718	\$ 39,072	\$ 300	\$ 1,617

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds
Technology Infrastructure Fee	RSVP	Street Paving	GRT Revenue Bonds	Park	CDBG	
\$ -	\$ -	\$ -	34,145	-	\$ -	\$ 1,687,276
61,485	-	217,146	-	-	-	278,631
-	-	-	-	-	-	70,996
-	20,768	-	-	-	-	373,591
-	-	-	-	211,471	-	323,471
-	39,121	-	-	-	-	39,121
-	-	-	-	-	-	332,978
-	-	-	-	-	-	139,234
-	-	-	-	4,040	-	87,489
<u>61,485</u>	<u>59,889</u>	<u>217,146</u>	<u>34,145</u>	<u>215,511.00</u>	<u>-</u>	<u>3,332,787</u>
83,829	-	-	270	-	-	110,409
-	-	-	-	-	-	415,185
-	-	157,911	-	-	-	839,563
-	-	-	-	-	-	334,517
-	116,759	-	-	-	-	116,759
14,854	-	43,685	-	249,869	-	436,455
-	-	-	260,000	-	-	260,000
-	-	-	186,350	-	-	186,350
<u>98,683</u>	<u>116,759</u>	<u>201,596</u>	<u>446,620</u>	<u>249,869</u>	<u>-</u>	<u>2,699,238</u>
(37,198)	(56,870)	15,550	(412,475)	(34,358)	-	633,549
-	51,436	-	529,936	302,000	-	919,862
-	-	-	-	-	(78,000)	(1,952,039)
-	51,436	-	529,936	302,000	(78,000)	(1,032,177)
(37,198)	(5,434)	15,550	117,461	267,642	(78,000)	(398,628)
170,070	32,542	280,711	(117,461)	(162,026)	78,000	1,875,166
<u>\$ 132,872</u>	<u>\$ 27,108</u>	<u>\$ 296,261</u>	<u>\$ -</u>	<u>\$ 105,616</u>	<u>\$ -</u>	<u>\$ 1,476,538</u>

See Independent Auditors' Report and Notes to Financial Statements

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SUPPORTING SCHEDULES

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

Schedule V

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo:					
Operational	Checking	\$ 6,328,864	\$ 13,470	\$ 175,484	\$ 6,166,850
1/12 Reserve	Savings	1,079,320	-	-	1,079,320
Total Wells Fargo Bank, N.A.		<u>7,408,184</u>	<u>13,470</u>	<u>175,484</u>	<u>7,246,170</u>
My Bank:					
Meter Deposits	Checking	117,952	-	-	117,952
Total My Bank		<u>117,952</u>	<u>-</u>	<u>-</u>	<u>117,952</u>
Bank of Albuquerque					
Fire Truck Reserve	Checking	39,000	-	-	39,000
Total Bank of Albuquerque		<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
New Mexico Finance Authority:					
Belen Cash & Reserves	Debt Service	648,575	-	-	648,575
Total New Mexico Finance Authority		<u>648,575</u>	<u>-</u>	<u>-</u>	<u>648,575</u>
Total		<u>\$ 8,213,711</u>	<u>\$ 13,470</u>	<u>\$ 175,484</u>	<u>8,051,697</u>
Petty cash					600
Total Deposits					<u>\$ 8,052,297</u>
Total cash and cash equivalents per Statement of Net Position					\$ 2,384,222
Total restricted cash and cash equivalents per Statement of Net Position					5,093,064
Total customer deposits per Statement of Net Position					205,011
Total cash and cash equivalents per Statement of Fiduciary Assets and Liabilities					370,000
Total cash and cash equivalents					<u>\$ 8,052,297</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, 2019

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP / Description</u>	<u>Fair Market Value</u>
Wells Fargo:	FNMA FNMS 2.5%	5/1/2031	3140F2P87	\$ 1,907,445
	FNMA FNMS 3.5%	1/1/2042	31418ACM8	2,390,064
Total Wells Fargo				<u>4,297,509</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Belen
Fiduciary Funds
Schedule of Changes in Assets and Liabilities
June 30, 2019

Schedule VII

LEDA Funds

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Total Agency Funds				
Assets				
Cash and investments	370,000	\$ -	\$ -	370,000
Total Assets	<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,000</u>
Liabilities				
Deposits held in trust for others	\$ 370,000	\$ -	\$ -	\$ 370,000
Total Liabilities	<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ -</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

Honorable Brian S. C3lon, ESQ
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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 as items FS 2018-005, FS 2018-007, FS 2019-004, and FS 2019-005 to be material weaknesses

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 as items FS 2014-003, FS 2016-001, FS 2018-002, FS 2019-001 FS 2019-002 and FS 2019-003.

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 2009-001, FS 2014-003, FS 2018-002, FS 2018-005, FS 2019-001, FS 2019-002, FS 2019-003 and FS 2019-005.

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 18, 2019

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FEDERAL FINANCIAL ASSISTANCE



Auditors~Consultants~CPA

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

Honorable Brian S. Colón, ESQ
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, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
November, 18, 2019

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

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>
Enviormental Protection Agency					
Passet Through New Mexico Department of Finance and Administration					
Clean Water State Revolving Fund	66.468	No	\$ 17,980		
Unites States Airforce					
Direct					
Airport Operations	58th SOW *	Yes	\$ 1,457,324	\$ -	\$ -
Corporation for National and Community Service					
Direct					
Retire Senior Volunteer Program	94.002	No	\$ 39,121	-	-
U.S. Department of Transportation					
Passed through New Mexico Department of Transportation:					
ENDW/BKLUP/STEP	20.608	No	11,294	-	-
Total Expenditures of Federal Awards			<u>\$ 1,525,719</u>	<u>\$ -</u>	<u>\$ -</u>

* 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, 2019

NOTE 1. Basis of Accounting

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

The City expended federal awards related to loans or loan guarantees in the amount of \$17,980. The balance of loan and loan guarantee programs outstanding as of June 30, 2019 is \$0.

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

The City has no federally funded insurance.

NOTE 2. General

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

City of Belen federal expenditures of federal awards on SEFA	\$ 1,525,719
Expenditures funded by other sources	<u>19,330,649</u>
Total expenditures	<u><u>\$ 20,856,368</u></u>

**STATE OF NEW MEXICO
City of Belen
Schedule of Findings and Question Costs
June 30, 2019**

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?	Yes

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	No
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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
58th SOW*	Airport Operations	Unmodified

Dollar threshold used to distinguish between a type A and type B programs.	\$750,000
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Auditee Qualified as a low-risk auditee?	No
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* Alternative title no CFDA

STATE OF NEW MEXICO
City of Belen
Schedule of Findings and Question Costs
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Section II: Prior Year Audit Findings

FS 2009-001	PERA Reporting and Contribution Remittances	Modified and repeated
FS 2009-004	Lack of Budgetary Control	Resolved
FS 2013-002	Department of Finance and Administration Cash Report	Resolved
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
FS 2018-001	Fund Balances	Resolved
FS 2018 -002	Expenditures Without Proper Documentation	Modified and repeated
FS 2018-003	Procurement of Services	Resolved
FS 2018-004	Untimely Deposits of Cash Receipts	Resolved
FS 2018-005	Capital Assets	Modified and repeated
FS 2018-006	Utility Customer Deposits	Resolved
FS 2018-007	Tone at the Top	Modified and repeated

STATE OF NEW MEXICO
City of Belen
Schedule of Findings and Question Costs
June 30, 2019

Section III: Audit Findings

FS 2009-001- PERA Reporting and Contribution Remittances – Other Matters and Non - Compliance - Repeated/Modified

Condition: During our testwork we noted that PERA had not accepted the City's last three PERA contribution reports for FY 2019 as of time of field work. This was a result of heavy turnover in the Payroll Department in Fiscal Year 2019.

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: The City is not in compliance with PERA reporting requirements and will owe additional interest and penalties every day they are not in compliance.

Cause: The City has had very high turnover in the Payroll Department near year end.

Auditors' Recommendation: We recommend that the City reconcile the amounts they owe PERA as soon as possible and comply with the PERA reporting requirements in their payroll reporting procedures. We recommend that the City council address the systemic issues related to the high turnover in the City.

Managements Progress: Management has made progress in reconciling past PERA reporting deficiencies in years previous to Fiscal Year 2019, however due to turnover in the payroll department at year end this finding will be repeated, but it is no longer considered a material weakness.

Management Response: The Payroll Specialist / Human Resource Director will work with PERA and Caselle to ensure the reports are being submitted correctly.

Responsible Party: The Payroll Specialist / Human Resource Director

Timeline for Corrective Action: January 1, 2021

STATE OF NEW MEXICO
City of Belen
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FS 2014-003 – Compliance with the Anti-Donation Clause – In-Kind Services – Significant Deficiency and Non - Compliance - Repeated/Modified

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

- During our testwork we noted the City constructed sidewalks costing \$21,251 around vacant land in which it appeared the land owners were responsible for the construction costs.
- During our testwork we noted one instance where the City provided a private event the services of one Police Officer, one EMT and the Fire Marshal. The City provided a \$15 receipt showing the individual paid for the services that had no supporting documentation.

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.” Further, the City is not following NMSA Section 3-49-4.

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 and followed in all instances.

Auditors’ Recommendations: We recommend that the City enforce their 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. We recommend the City contract with an independent external company who is experienced in internal controls to help the City create policies to address this issue that has not been corrected for the past six years.

Managements Progress: Management has made progress in the frequency of violations in regards to the anti-donation clause. The number of instances decreased in Fiscal year 2019.

Management Response: The City Council will consult and allow management to properly procure projects and assignments to ensure projects are properly procured and all laws and regulations of the state of New Mexico are followed.

Responsible Party: The City Manager

Timeline: July of 2020

STATE OF NEW MEXICO
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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. Further, we noted the City updated their current financial policies and procedures in FY 2019 without consulting department heads as to what these procedures should be and how they should be implemented.

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 payroll procedures we noted the person who runs the payroll can also create employees, delete employees, change employee pay rates and maintains the employee's personal files.
- In reviewing an internal investigation performed in the City the investigation found four separate violations of the City's social media policies.
- The City did not take appropriate action to resolve this finding in Fiscal Year 2019.

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 contract with an independent external company who is experienced in internal controls to create a comprehensive internal control structure over financial reporting that is documented and implemented. In creation of this policy the City should assess all areas of risk the City is exposed to and implements mitigating controls. This policy should be followed at all levels of the City including management and the governing body. Further, we recommend City employees receive training through all levels of the organization related to their assigned duties and responsibilities so the policy is properly implemented.

Managements Progress: There appears to be no progress made during fiscal year 2019.

STATE OF NEW MEXICO
City of Belen
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Management's Response: The City will budget and work on contracting with an independent 3rd party to perform a risk assessment and help the City write internal policies and procedures at the entity wide level.

Responsible Party: The Governing Body

Timeline for Corrective Action: July of 2021

FS 2018-002— Expenditures without Proper Documentation – Significant Deficiency and Non - Compliance

Condition: During our inquiries of employees and governance we noted the following issues related to the purchase of goods and services:

- One instance was brought to our attention in which a City official submitted a purchase order for sidewalks to be constructed around Old City Hall. It was also noted the Finance Department denied the purchase order due to the Contractor stating “they were not responsible for broken lines or damage to the property”. After the City Finance Department denied the purchase order, the project continued to move forward.
- In reviewing the vendor invoices provided by the City's Waste Hauler we or management are not able to reconcile actual services provided to the City against what the City is being billed. Total billing for this contract are approximately \$1,076,683 during Fiscal Year 2019.

Also, this is a previous audit finding and the City's management is not correcting these issues.

Criteria: Good accounting practices require the segregation of responsibilities that should be established and implemented. These duties include the approvals, authorizations, verifications, and reconciliations, review of operating performance and security of assets.

Effect: Internal controls in the City are not being followed and the City paid for goods and services before proper approval of a City purchase order was executed. In addition, the City is also paying for services in which they are unable to verify that the services have been completely received.

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.

Auditors' Recommendation: We recommend the City ensure all employees and governance understand the City's procurement policies and procedures before purchasing goods and services with City resources, and that all purchases are preceded with a properly authorized purchase order before the purchase is made. We also recommend that the City contract an outside independent accounting firm to reconcile previous billings from the waste hauler to actual services provided to customer billings to determine if past waste hauler billings are correct and if customers are being properly billed for services received. We also recommend that the City's Waste Hauler provide information in a format that enables the City to perform this essential function.

Managements Progress: Management has made little progress in fiscal year 2019.

STATE OF NEW MEXICO
City of Belen
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Management Response: The Utility Billing Director and Community Maintenance Director will work together and meet with the City's Waste Disposal Provider to advise them of what their invoices should include. The Utility Billing Director and Community Maintenance Director will review and verify that the billing is correct and sign off on the waste haulers bill monthly. If the City's Waste hauler is not able to provide adequate documentation on their billings the City will issue another RFP to obtain a provider who can properly bill the City for these services.

Responsible Party: The City Council, the Community Maintenance Director and the Utility Billing Director

Timeline for Corrective Action: July 1, 2020

FS 2018-005 Capital Assets – Material Weakness and Non - Compliance

Condition: During our audit procedures performed in regards to capital assets we noted the following deficiencies within the City of Belen:

- The City is not properly updating and tracking their capital asset listing which resulted in a restatement to current year accumulative depreciation in the amount of \$2,312,859.
- 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 and in addition, the City is exposing itself to a reasonable possibility that a material misstatement related to the City's capital assets will not be prevented, or detected and corrected on a timely basis.

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 and reconcile the capital assets on a continuous basis.

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. 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 obtain adequate personal in the Finance Department so an individual can be designated to monitor the City's capital asset inventory.

Management Progress: Management has not made any progress in correcting this issue and the finding is now considered a material weakness.

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Management's Response: The Governing Body will approve an additional employee to maintain asset inventories and track all City wide assets. The City is currently working on an Asset Management Plan for the Water and Wastewater departments; tracking infrastructure such as waterlines, lift stations, wells pumps, etc.

Responsible Party: Governing Body, City Manager and Finance Manager

Timeline for Corrective Action: January 1, 2021

FS 2018-007 — Tone at the Top – Material Weakness

Condition: During our audit procedures we noted the City lacks a proper "Tone at the Top". We noted the following deficiencies with the tone at the top in the City.

- During our audit procedures management and governance did not readily make available audit documentation.
- During our testwork we noted the City had an internal investigation performed that found members of management and governance violated the City's code of conduct.
- During our audit procedures we noted instances where management responses did not appear to be properly supported.
- During our audit testwork we noted instances where management would bring issues to our attention and then not adequately respond to our inquiries of the issues.
- The tone at the top was noted as being a previous audit finding and management and governance are not taking adequate corrective action to resolve this issue.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework defines the control environment as the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance.

Effect: The resulting control environment has a pervasive impact on the overall system of internal control in the City.

Cause: The governing body and senior management are not establishing a tone at the top that promotes the importance of internal controls, including the expected standard conduct in the City.

STATE OF NEW MEXICO
City of Belen
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Auditors' Recommendation: We recommend that all elected City Officials read and follow the City's personal policies and procedures and act in a fiduciary manner in conducting all City business. We recommend management and the Governing Body receive training on the role of governance and ethics. We also recommend governance and management strive to set a Tone at the Top that encourages communication, openness, honesty, integrity, and ethical behavior through the City. We recommend that Governance agree on a plan and direction of projects they want to accomplish and have management be responsible for carrying out their directives. We recommend Governance and Management lead by example by following all of internal policies. We recommend all City staff and Governing Officials follow the City code of conduct. Further, we recommend governance and all top management participate in mediation so individuals in the City can work together, communicate, and carry out the obligations the City has to its citizens.

Management's Response: The City will adopt a government code of conduct and ethics which will have policies and process on how to conduct City business. The policy will lay out the importance of separating duties of legislation and management in order to help with controls. The policy should have the process in reporting unethical and unlawful conduct. The roles of management and legislation should be clearly set. After every election, the Governing Body should receive a packet of governing laws, rules and policies. After every election the Governing Body will have a summit to set the vision, mission; the City Manager will create a strategic plan after the summit with achievable milestone. The Governing Body will have retreats with their appointed staff bi-annually.

Responsible Party: The City Manager and the Governing Body.

Timeline for Corrective Action: July 1, 2020

FS 2019-001 — Construction of City Sidewalks – Significant Deficiency and Non - Compliance

Condition: During our audit procedures when inquiring about known fraud, waste and abuse, management and employees indicated to us the use of public funds to construct sidewalks on 5th Street. Upon visiting the site we noted approximately 500 feet of sidewalks constructed around vacant land which was owned by private citizens, at a cost to the City of \$21,259. Further, it was brought to our attention by employees of the City through communication with the City Attorney that these sidewalks should have been paid for by the private land owners.

Criteria: NMSA Section 3-49-4 states the following:

- A. If the governing body determines that it is necessary to repair, improve or construct a sidewalk fronting an individual tract or parcel of land, the governing body shall adopt a resolution requiring that a sidewalk be repaired, improved or constructed in conformity with the existing sidewalk standards adopted by the municipality.
- B. A copy of the resolution shall be served by certified mail at his last known address on the owner or agent in charge of the tract or parcel of land which is contiguous to the sidewalk. If the owner, as shown by the real estate records of the county clerk or agent in charge of the building, structure or premise cannot be served as provided in this subsection, a copy of the resolution shall be posted on the building, structure or tract or parcel of land which is contiguous to the sidewalk and a copy of the resolution shall be published one time.

STATE OF NEW MEXICO
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- C. Within fifteen days of the receipt of a copy of the resolution or of the posting and publishing of a copy of the resolution, the owner or agent in charge of the building, structure or premise shall commence repairing, improving or constructing a sidewalk, or file a written objection with the municipal clerk asking for a hearing before the governing body of the municipality.
- D. If a written objection is filed as required in this section, the governing body shall:
- 1) fix a date for a hearing on its resolution and the objection;
 - 2) consider all evidence for and against the sidewalk resolution at the hearing; and
 - 3) determine if its resolution should be enforced or rescinded.
- E. Any person aggrieved by the determination of the governing body may appeal to the district court by:
- 1) giving notice of appeal to the governing body within five days after the determination made by the governing body; and
 - 2) filing a petition in the district court within twenty days after the determination made by the governing body. The district court shall hear the matter de novo and enter judgment in accordance with its findings.
- F. If the owner or agent in charge of the tract or parcel of land which is contiguous to the sidewalk fails to commence repairing, improving or constructing the sidewalk:
- 1) within fifteen days of being served a copy of the resolution or of the posting and publishing of the resolution if no written objection is filed;
 - 2) within five days of the determination by the governing body that the resolution shall be enforced if no appeal is taken; or
 - 3) after the district court enters judgment sustaining the determination of the governing body, the municipality may repair, improve or construct the sidewalk at the cost and expense of the owner. The reasonable cost of the repair, improvement or construction shall constitute a lien against the tract or parcel of land which is contiguous to the sidewalk. The lien shall be foreclosed in the manner provided in Sections 3-36-1 through 3-36-5 NMSA 1978 .
- G. If, within twenty days of the receipt of the final order, the owner of the tract or parcel of land which is contiguous to the sidewalk fails to repair, improve or reconstruct the sidewalk as required in the notice, the owner of the tract or parcel of land contiguous to the sidewalk is liable for any injury received by any person which injury is proximately caused by the negligence of such owner pertaining to such faulty repair, construction or maintenance of the sidewalk and the municipality is not liable.

Effect: The City appears to be in Violation of NMSA section 3-49-4. Further, the monies spent were not in compliance with ADA requirements resulting in possible additional liability to the City, and it appears the City spent public monies to improve a vacant track of land that should have been paid for by the private land owner.

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Cause: A City Official directed City employees to construct the sidewalks without consulting the City Council the City's engineer or adequate legal advice.

Auditors' Recommendation: We recommended the City create and follow a City ordinance by incorporating the requirements of NMSA 3-49-4 to construct Sidewalks. We recommend that City Governance allow City employees go through the proper channels to properly make capital improvements in the City.

Management's Response: An Elected City Official will stop intervening in the duties of management and allow management to perform their assigned job duties.

Responsible Party: Governance

Timeline for Corrective Action: Immediately

FS 2019-002 — Lack of Controls Surrounding Payroll - Significant Deficiency and Non – Compliance

Condition: During our audit procedures we noted the Human Resource Director runs payroll, can modify pay rates and hours, can create employees in the payroll system and maintains all personnel files. We also noted the following errors and concerns related to the City's Payroll and HR:

- When reviewing employees accrued compensation, we noted one employee had negative accrued sick pay of 17 hours and negative vacation pay of 103.23 hours. Upon further investigation we noted the individual submitted time cards for 80 Hours of military pay prior to evidence that could show the employee enlisting in the military and these time cards had no approvals and were not taken against the employee's accrued leave or sick pay. Once the employee went to basic training we noted no time cards or supporting documentation was submitted to support 744 hours of leave paid to the employee. The total leave available to the employee was 599.54 hours and the total hours used and paid to the employee were 824 resulting in overpayment to this employee for 224.46 hours or \$4,825.89.
- During our audit procedures we noted one instance where a City employee's bank account number and routing number was changed to a fraudulent bank account for a total of five pay periods, resulting in the City paying monies of \$2,881.21 into the fraudulent account.
- During our audit procedures surrounding payroll we noted an employee elected to participate in life insurance program at the time of hire, however they were not enrolled at the time of our audit procedures.
- During our audit procedures surrounding payroll and payroll controls we viewed 20 overtime requests in the police department and noted 4 instances totaling 28 hours in which the overtime requests were not properly approved.
- During our audit procedures we noted an instance where an employee's background investigation was possibly shared among other employees in the City.

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Criteria: Internal control includes policies, methods and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes a process of planning, organizing, directing, and controlling operations. It included the systems for measuring, reporting, and monitoring performance. Internal control service 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 has not implemented adequate internal control surrounding payroll processes and procedures and is exposed to a high risk that City assets are not safeguarded from fraud waste and abuse.

Cause: The City lacks adequate training and internal controls and segregation of duties in payroll and human resources.

Auditors' Recommendation: We recommend the City segregate duties so the person who can modify the payroll system is not also the person who runs payroll. We recommend all overtime for all employees be approved by the acting supervisor of the employee. We recommend when an employee's bank account information is changed in the payroll system the employee be present in signing the payroll change request. We recommend the City establish process and procedures so all employee benefits due to employees are complete and accurate. We recommend management maintain the confidentiality of all employees' background information. We recommend the City hire an external company who is experienced in internal controls to come into the City and perform a risk assessment and help the City create policies and procedures that are implemented and followed without exception at all levels of City officials, management and employees.

Management's Response: The City will work to correct the tone at the top in the City which has made is difficult in maintaining the City's internal control structure and implement better internal controls through the City.

Responsible Party: The City Council and the City Manager

Timeline for Corrective Action: July 1, 2021

FS 2019-003 — Lack of Controls Surrounding Expenses for Waste Disposal Billings – Significant Deficiency and Non-Compliance

Condition: During our audit procedures we noted the following condition surrounding the City's waste hauler billings to the City, and charges of customers:

- In Fiscal Year 2018, City Governance awarded a contract to a local waste hauler against the recommendation of the Procurement Committee.
- In Fiscal Year 2018, the City was issued finding 2018-002 in which it was noted the City's Waste Hauler is providing invoices that could not be verified against actual services provided and this is still an issue in Fiscal Year 2019.
- In Fiscal Year 2019, we noted an increase in waste hauler expenditures of \$176,709, and the City is not being provided adequate reports to what services the Waste Hauler is actually providing to customers, so the City can properly bill customer for services provided.

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- In Fiscal Year 2019 the City paid this Contractor \$1,076,638 without being able to verify what services were begin rendered.
- The City is not able to verify actual services the Waste Hauler is providing, and is not able to properly bill City Customers for services provided. This is evident given the City's waste hauler expenditures increasing by approximately 27% and revenues for these services decreasing by approximately 1%.
- Approximately \$174,308 in cash has been depleted in the fund and approximately \$1,076,638 of expenses was paid without the City being able to verify what services were actually rendered in fiscal year 2019.

Criteria: Good accounting practices require all vendors to submit invoices that provide sufficient detail as to the actual services rendered. This detail is necessary for the City to pass on the cost of these services to their customers who are receiving these services.

Effect: The City is unable to substantiate the actual services provided to the City, and the City paid an external vendor \$1,076,638 without being able to verify the actual services that were rendered. This resulted in expenses related to these services increasing approximately 27% and revenues related to these services decreasing approximately 1%. Further, the City is not able to properly bill customers for services rendered for solid waste services.

Cause: The City's external contractor, who provides waste hauler services, is not providing adequate reporting to allow for the City to monitor what services the City is paying for. The City was aware of this issue in fiscal year 2018 and has done nothing to correct this issue. The City is willing to pay for substantial invoices totaling approximately \$1,076,638 without adequately being able to verify what services are being rendered. The City is not reconciling services rendered by the solid waste hauler to services charged to customers for solid waste services. The City is willing to pay substantial bills without adequate detail of services rendered. City employees represented to us that City's management has excluded employees from meeting with the Waste Hauler when the employees have brought issues up related to these problems. The City's management and Governance does not appear motivated to address this issue.

Auditors' Recommendation: We recommend the City issue another RFP for their Waste Hauler Services and obtain a vendor who can provide sufficient detail for the City to properly bill their customer for services rendered. We recommend the City personnel obtain adequate training and the skills necessary to run a public utility. We recommend the City stop paying invoices in which they cannot verify the actual services rendered. We recommend the City reconcile on a continuous basis actual services changed to the service prices in the waste hauler agreement and to actual services charges to customers. We recommend the City employ an external accounting firm to reconcile the services billed, to services provided, to services agreed in the waste hauler contract, and to services billed to customers.

Management's Response: The Utility Billing Director and Community Maintenance Director will work together and meet with the City's Waste Disposal Provider to advise them of what their invoices should include. The Utility Billing Director and Community Maintenance Director will review and verify that the billing is correct and sign off on the waste haulers bill monthly. If the City's Waste hauler is not able to provide adequate documentation on their billings the City will issue another RFP to obtain a provider who can properly bill the City for these services.

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Responsible Party: The City Council, City Manager, the Community Maintenance Director and the Utility Billing Director.

Timeline for Corrective Action: July 1, 2020

FS 2019-004 Financial Close and Reporting - Material Weakness

Condition: During our testwork over the City's account balances we noted the following deficiencies in the City's Financial Close Process:

- Prior year audit adjustments were not properly posted by the City
- Debt and Fixed Asset schedules are not being maintained or reconciled by the City
- The City is not properly tracking accruals
- The City's cash required an adjustment of \$43,324

Criteria: In accordance with Section 2.2.2.10 D (2) NMAC the financial statements are the responsibility of the agency. The agency shall maintain adequate accounting records, prepare financial statements in accordance with accounting principles generally accepted in the United States of America, and provide complete, accurate, and timely information to the IPA as requested.

Effect: Lack of proper financial close procedures can lead to unreliable account balances and material misstatements of the financial statements.

Cause: The City is not properly tracking or recognizing long-term debt, fixed assets, or the accrual of year-end accounts payables and receivables. This leads to excessive audit adjustments in order to properly state the City's financial statements.

Auditors' Recommendation: We recommend that the City design and implement policies and procedures in order to properly close the books and adequately maintain the accounting records and trial balances. This is to include the tracking and posting of year-end payables and receivables, tracking and reconciling of all debt and fixed asset schedules and roll-forwards, posting of liabilities for enterprise funds, procedures for timely and accurate reconciliation of cash, and reconciliation of the final trial balance to the audited trial balance to ensure that all adjustments are properly posted. Further we recommend the Finance Department of the City be adequately staffed. The City had approximately 18.2 million dollars of expenses on the accrual basis of accounting and had an accounting staff of three individuals.

Management's Response: A correction to cash was needed due to a miscalculated entry in the payroll system that updated to the reconciliation; because of turnover in the human resources and payroll department we were unable to isolate the discrepancy at year end. The Finance Manager is in discussions with the City's software provider to implement a plan to convert over to the cash basis of accounting.

Responsible Party: The City Council, the City Manager and the Finance Manager

Timeline for Corrective Action: July 1, 2021

STATE OF NEW MEXICO
City of Belen
Schedule of Findings and Question Costs
June 30, 2019

FS 2019-005 Contract Compliance with Keter Manufacturing – Material Weakness and Non – Compliance

Condition: During our testwork we noted the City created an Economic Development Contract with Resin Partners (Parent Company of Keter Manufacturing) in which the City provided the private company approximately \$500,000 in consideration in exchange for the private company employing a specified minimum job target number of employees specified in the contract. We were unable to determine whether the contract was in compliance, and we also noted the City is not monitoring whether the contract is in compliance in Fiscal Year 2019 to determine if the Company owes the City \$500,000.

Criteria: The Contract states that the company shall submit a quarterly employment report in the form of an affidavit signed by an officer of the Company and Schedule A of the Company's ES-903A report to the New Mexico Department of Workforce Solutions. The City may request a copy of that form, at any time while this Agreement is in effect, and the Company agrees to provide such documents. The Company acknowledges this quarterly reporting will be relied upon by the City to ascertain if the Company is in compliance with the job creation provisions of this Agreement.

Effect: The City paid a material amount of public resources to a private company and the City is unable to monitor whether the Company is in compliance with the requirements for giving this private company \$500,000 in consideration and the financial statements could be materially misstated due to this receivable not being booked.

Cause: The City is not obtaining the quarterly Employment Report, or the Company is not producing the quarterly Employment Report specified in the Local Economic Development Participation Agreement.

Recommendation: We recommend the City adequately monitor weather external contracts are in compliance which have a material effect on the City's financial statements as outlined in agreements with the City and external parties.

Management's Response: The Economic & Planning Director will notify Keter Manufacturing of non-compliance (certified mail). If the issue is not rectified after 30 days, the matter will be turned over to our attorney to enact the clawback provision.

Responsible Party: The Planning & Zoning Director

Timeline for Corrective Action: January 1, 2020

**STATE OF NEW MEXICO
City of Belen
Exit Conference
June 30, 2019**

Exit Conference

An exit conference was held in a closed meeting on November 18, 2019. In attendance were the following:

Representing the City of Belen:

Jerah Cordova	Mayor
Ronnie Torres	City Councilor
Frank Ortega	City Councilor
David Carter	City Councilor
Wayne Gallegos	City Councilor
Roseann Peralta	Finance Director
Dorothy Flores	City Clerk
Y. Jun Roh, Esq	City Attorney

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.

AUDITEE CORRECTIVE ACTION PLAN



JERAH R. CORDOVA
MAYOR

WAYNE R. GALLEGOS
MAYOR PRO-TEM

LEONA VIGIL
CITY MANAGER

CITY OF BELEN

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DAVID CARTER
CITY COUNCILMAN

FRANK F. ORTEGA
CITY COUNCILMAN

RONNIE M. TORRES
CITY COUNCILMAN

Auditee Corrective Action Plan

FS 2009-001- PERA Reporting and Contribution Remittances – Other Matters and Non - Compliance - Repeated/Modified

Corrective Action Plan: The Payroll Specialist / Human Resource Director will work with PERA and Caselle to ensure the reports are being submitted correctly. The Payroll Specialist / Human Resource Director will reconcile the amounts owed to PERA.

Responsible Person: Payroll Specialist / Human Resource Director

Anticipated Completion: January 1, 2021

FS 2014-003 – Compliance with the Anti-Donation Clause – In-Kind Services – Significant Deficiency and Non - Compliance - Repeated/Modified

Corrective Action Plan: The Mayor will consult and allow management to properly procure projects and assignments to ensure projects are properly procured and all laws and regulations of the state of New Mexico are followed.

Responsible Person: City Manager

Anticipated Completion: July of 2020

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

Corrective Action Plan: The City will budget and work on contracting with an independent 3rd party to perform a risk assessment and help the City write internal policies and procedures at the entity wide level.

Responsible Person: Mayor and City Council

Anticipated Completion: July of 2021

FS 2018-002— Expenditures without Proper Documentation – Significant Deficiency and Non - Compliance

Corrective Action Plan: The Utility Billing Director and Community Maintenance Director will work together and meet with the City's Waste Hauler to advise them of what their invoices should include. The Utility Billing Director and Community Maintenance Director will review and verify that the billing is correct and sign off on the Waste Haulers bill monthly.

Responsible Person: The Community Maintenance Director and Utility Billing Director

Anticipated Completion: July 1, 2020

FS 2018-005 Capital Assets – Material Weakness and Non - Compliance

Corrective Action Plan: The City management will request the governing body to provide funding for additional staff so the finance department is adequately staffed.

Responsible Person: City Council and Finance Director

Anticipated Completion: January 1, 2021

FS 2018-007 — Tone at the Top – Material Weakness

Corrective Action Plan: The City will adopt a government code of conduct and ethics which will have policies and process on how to conduct City business. The policy should lay out the importance of separating duties of legislation and management in order to help with controls. The policy should have the process in reporting unethical and unlawful conduct. The roles of management and legislation should be clearly set. After every election, the governing body should receive a packet of governing laws, rules and policies. After every election the governing body should have a summit to set the vision, mission; the City Manager will create a strategic plan after the summit with achievable milestone. The Governing Body will have retreats with their appointed staff bi-annually.

Responsible Person: City Manager and the Governing Body.

Anticipated Completion: July1, 2020

FS 2019-001 — Construction of City Sidewalks – Significant Deficiency and Non - Compliance

Corrective Action Plan: An Elected City Official will stop intervening in the duties of management and allow management to perform their assigned job duties.

Responsible Person: Mayor

Anticipated Completion: Immediately

FS 2019-002 — Lack of controls surrounding payroll - Significant Deficiency and Non Compliance

Corrective Action Plan: Management intends to budget and contract with an independent 3rd party to conduct a risk analysis in the City and help the city establish internal policies and procedures at the entity wide level including payroll policies and procedures. Further the City will work to improve the Tone at the Top in the City which has made is difficult in maintaining the City's internal control structure and implement better internal controls through the City.

Responsible Person: City Council and City Manager

Anticipated Completion: July 1, 2021

FS 2019-003 — Lack of Controls Surrounding Material Expenses and Waste Disposal Billings – Significant Deficiency and Non-Compliance

Corrective Action Plan: If management is able to obtain governance support for corrective action, the Utility Billing Director and Community Maintenance Director will work together and meet with the City's Waste Disposal Provider to advise them of what their invoices should include. The Utility Billing Director and Community Maintenance Director will review and verify that the billing is correct and sign off on the waste haulers bill monthly. If the City's Waste hauler is not able to provide adequate documentation on their billings the City will issue another RFP to obtain a provider who can properly bill the City for these services.

Responsible Person: City Council and Community Maintenance Director and Utility Billing Director

Anticipated Completion: July 1, 2020

FS 2019-004 Financial Close and Reporting - Material Weakness

Corrective Action Plan: Management will request of the City Council to adequately staff the finance department and the City in general. Once the City is adequately staffed management feels we can correct this material weakness.

Responsible Person: City Council, City Manager and Finance Director

Anticipated Completion: July 1, 2021

FS 2019-005 Contract Compliance with Keter Material Weakness and Non – Compliance

Corrective Action Plan: The Economic & Planning Director will notify Keter Manufacturing of non-compliance (certified mail). If the issue is not rectified after 30 days, the matter will be turned over to our attorney to enact the clawback provision.

Responsible Person: Steve Tomita, Planning & Zoning Director

Anticipated Completion: January 1, 2020

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