



**STATE OF NEW MEXICO**

**City of Belen**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

(This page is intentionally left blank)

## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**City of Belen**  
**Table of Contents**  
**June 30, 2017**

**Page No.**

**INTRODUCTORY SECTION:**

Official Roster ..... 6

**FINANCIAL SECTION:**

Independent Auditors' Report ..... 8-10

**BASIC FINANCIAL STATEMENTS:**

Government-Wide Financial Statements:

Statement of Net Position (Exhibit A-1) ..... 12-13

Statement of Activities (Exhibit A-2) ..... 14-15

Fund Financial Statements:

Balance Sheet – Governmental Funds (Exhibit B-1) ..... 16-17

Reconciliation of the Balance Sheet – Governmental Funds to  
The Statement of Net Position ..... 19

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds (Exhibit B-2) ..... 20-21

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities ..... 23

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget  
(Non-GAAP Budgetary Basis) and Actual:  
General Fund (Exhibit C-1) ..... 24

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget  
(Non-GAAP Budgetary Basis) and Actual:  
58<sup>th</sup> SOW Operations (Exhibit C-2) ..... 25

Proprietary Funds - Statement of Net Position (Exhibit D-1) ..... 26

Proprietary Funds - Statement of Revenues, Expenditures, and Changes in Net  
Position (Exhibit D-2) ..... 27

Proprietary Funds - Statement of Cash Flows (Exhibit D-3) ..... 28

Notes to Financial Statements – Governmental Activities ..... 29-64

**STATE OF NEW MEXICO**  
**City of Belen**  
**Table of Contents**  
**June 30, 2017**

**REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of the City’s Proportionate Share of the Net Pension liability –  
of PERA Fund Devision – Municipal General (Schedule I) ..... 66

Schedule of the City’s Proportionate Share of the Net Pension liability –  
of PERA Fund Devision – Municipal Police (Schedule I) ..... 67

Schedule of the City’s Proportionate Share of the Net Pension liability –  
of PERA Fund Devision – Municipal Fire (Schedule I)..... 68

Schedule of Contributions PERA Fund Division – Municipal General (Schedule II)..... 69

Schedule of Contributions PERA Fund Division – Municipal Police (Schedule II)..... 70

Schedule of Contributions PERA Fund Division – Municipal Fire (Schedule II) ..... 71

Notes to the Schedule of Required Supplementary Information ..... 72

**SUPPLEMENTARY INFORMATION:**

Non-major Fund Descriptions.....74-77

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:**

Combining Balance Sheets – Non-major Governmental Funds (Statement A-1).....78-83

Combining Statements of Revenues, Expenditures and Changes  
In Fund Balances – Nonmajor Governmental Funds (Statement A-2) .....84-89

**SUPPORTING SCHEDULES:**

Schedule of Deposits and Investments (Schedule III) ..... 92

Schedule of Collateral Pledged by Depository for Public Funds (Schedule IV)..... 93

**COMPLIANCE SECTION:**

Independent Auitor’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 Governmental Auditing Standards.....96-97

Schedule of Findings and Responses .....98-104

Exit Conference ..... 105

**STATE OF NEW MEXICO  
City of Belen  
Official Roster  
June 30, 2017**

**CITY COUNCIL**

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

**ADMINISTRATIVE OFFICIALS**

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

## **FINANCIAL SECTION**



Auditors~Consultants~CPA

## **INDEPENDENT AUDITORS' REPORT**

Honorable Tim Keller  
New Mexico State Auditor  
The City Council  
City of Belen  
Belen, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of the City of Belen (the City) as of and for the year ended June 30, 2017, 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 in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the City, as of June 30, 2017, 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 and Schedule II and the Notes to the Schedule of Required Supplementary Information on pages 66-72 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 Supplementary Information and the Supporting Schedules III and IV 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 Supplementary Information and Supporting Schedules III and IV required by Section 2.2.2 NMAC is 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 Supplementary Information, and Supporting Schedules III and IV are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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 15, 2017 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 15, 2017

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**City of Belen**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 929,938	\$ 2,471,865	\$ 3,401,803
Restricted cash	9,140,836	412,489	9,553,325
Property taxes	172,107	-	172,107
Gross receipt taxes receivable	959,590	19,639	979,229
Other receivables, net	155,264	-	155,264
Customer receivables, net	-	428,860	428,860
Prepaid Expenses	-	1,000	1,000
<b>Total current assets</b>	<b>11,357,735</b>	<b>3,333,853</b>	<b>14,691,588</b>
<b>Noncurrent assets</b>			
Customer deposits	-	205,315	205,315
Bond discounts, net of accumulated amortization of \$53,883	98,096	-	98,096
Bond insurance, net of accumulated amortization of \$42,123	61,217	-	61,217
Capital assets	96,917,923	43,049,007	139,966,930
Less: Accumulated Depreciation	(61,974,826)	(22,676,649)	(84,651,475)
<b>Total noncurrent assets</b>	<b>35,102,410</b>	<b>20,577,673</b>	<b>55,680,083</b>
<b>Deferred outflows of resources</b>			
Deferred outflows from pension	3,018,687	456,381	3,475,068
Deferred amount on refunding of debt	359,695	-	359,695
Deferred outflows from economic development project (see Note 7)	500,000	-	500,000
<b>Total deferred outflows</b>	<b>3,878,382</b>	<b>456,381</b>	<b>4,334,763</b>
<b>Total assets, and deferred outflows of resources</b>	<b>\$ 50,338,527</b>	<b>\$ 24,367,907</b>	<b>\$ 74,706,434</b>

See Independent Auditors' Report and Notes to Financial Statements

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 165,561	\$ 272,625	\$ 438,186
Accrued salaries and benefits	74,183	18,659	92,842
Customer deposits	-	205,315	205,315
Accrued interest	105,948	2,101	108,049
Current portion of debt payable	1,229,622	12,770	1,242,392
Compensated absences	31,794	9,497	41,291
Landfill closure liability	-	21,930	21,930
<b>Total current liabilities</b>	<b>1,607,108</b>	<b>542,897</b>	<b>2,150,005</b>
<b>Noncurrent liabilities</b>			
Debt payable	15,284,182	69,936	15,354,118
Compensated absences	127,175	37,987	165,162
Bond premiums, net of accumulated amortization of \$27,650	632,279	-	632,279
Landfill closure liability	-	228,381	228,381
Net Pension liability	7,787,505	1,177,357	8,964,862
<b>Total noncurrent liabilities</b>	<b>23,831,141</b>	<b>1,513,661</b>	<b>25,344,802</b>
<b>Total Liabilities</b>	<b>25,438,249</b>	<b>2,056,558</b>	<b>27,494,807</b>
<b>Deferred inflows of resources</b>			
Deferred inflows from pension	178,571	26,997	205,568
<b>Net Position</b>			
Net investment in capital assets	34,943,097	20,372,358	55,315,455
<b>Restricted for:</b>			
Debt Service	1,569,076	-	1,569,076
Capital projects	5,327,873	412,489	5,740,362
Special Revenue	2,414,562	-	2,414,562
Unrestricted	(19,532,901)	1,499,505	(18,033,396)
<b>Total net position</b>	<b>24,721,707</b>	<b>22,284,352</b>	<b>47,006,059</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 50,338,527</b>	<b>\$ 24,367,907</b>	<b>\$ 74,706,434</b>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<u>Functions and Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 2,298,859	\$ 62,425	\$ 171,092	\$ -
Public Safety	4,803,696	-	322,100	12,884
Public Works	1,972,593	-		313,743
Culture and Recreation	1,173,437	68,543	1,607,411	97,480
Health and welfare	130,365	-	56,550	-
Interest on Long-Term Debt	585,878	-		-
<b>Total Governmental Activities</b>	<u>10,964,828</u>	<u>130,968</u>	<u>2,157,153</u>	<u>424,107</u>
<b>Business-Type Activities</b>				
Waste Water	1,770,577	1,635,635	-	-
Water	1,484,279	1,561,404	-	-
Solid Waste	1,394,175	1,412,353	-	-
<b>Total Business-Type Activities</b>	<u>4,649,031</u>	<u>4,609,392</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 15,613,859</u>	<u>\$ 4,740,360</u>	<u>\$ 2,157,153</u>	<u>\$ 424,107</u>

**General Revenues:**

Taxes:

- Property Taxes levied for general purposes
- Gross receipt taxes
- Gas taxes
- Franchise taxes
- Lodgers taxes

Interest income

Miscellaneous Income

Transfers

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Net Position - restatement (Note 18)

Net Position - as restated

Net Position - ending

See Independent Auditors' Report and Notes to Financial Statements

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

<b>Government Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (2,065,342)	\$ -	\$ (2,065,342)
(4,468,712)	-	(4,468,712)
(1,658,850)	-	(1,658,850)
599,997	-	599,997
(73,815)	-	(73,815)
(585,878)	-	(585,878)
<u>(8,252,600)</u>	<u>-</u>	<u>(8,252,600)</u>
-	(134,942)	(134,942)
-	77,125	77,125
-	18,178	18,178
<u>-</u>	<u>(39,639)</u>	<u>(39,639)</u>
<u>(8,252,600)</u>	<u>(39,639)</u>	<u>(8,292,239)</u>
1,241,050	-	1,241,050
5,894,877	341,210	6,236,087
107,802	-	107,802
175,046	-	175,046
54,574	-	54,574
24,006	117	24,123
883,459	-	883,459
147,112	(147,112)	-
<u>8,527,926</u>	<u>194,215</u>	<u>8,722,141</u>
275,326	154,576	429,902
25,227,672	22,129,776	47,357,448
(781,291)	-	(781,291)
<u>24,446,381</u>	<u>22,129,776</u>	<u>46,576,157</u>
<u>\$ 24,721,707</u>	<u>\$ 22,284,352</u>	<u>\$ 47,006,059</u>

**State of New Mexico  
City of Belen  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	<u>General Fund</u>	<u>58th SOW Operations Special Revenue Fund</u>	<u>GRT Revenue Bonds Debt Service Fund</u>	<u>Debt Service</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash	1,064,083	1,505,903	200,294	1,336,913
Property taxes receivable	140,238	-	31,869	-
Gross receipt taxes receivable	710,127	-	-	-
Other receivables	67,855	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 1,982,303</u>	<u>\$ 1,505,903</u>	<u>\$ 232,163</u>	<u>\$ 1,336,913</u>
<b>Liabilities, deferred inflows of resources and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 151,200	\$ -	\$ -	\$ -
Accrued salaries and benefits	72,452	-	-	-
Due to other funds	534,379	-	-	-
<b>Total liabilities</b>	<u>758,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - property taxes	26,691	-	-	-
<b>Total liabilities and deferred inflows of resources</b>	<u>784,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable				
Interfund Loans	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	1,505,903	-	-
Debt service expenditures	-	-	232,163	1,336,913
Capital projects	-	-	-	-
Committed to:				
Minimum fund balance	544,161	-	-	-
Unassigned	653,420	-	-	-
<b>Total fund balances</b>	<u>1,197,581</u>	<u>1,505,903</u>	<u>232,163</u>	<u>1,336,913</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,982,303</u>	<u>\$ 1,505,903</u>	<u>\$ 232,163</u>	<u>\$ 1,336,913</u>

See Independent Auditors' Report and Notes to Financial Statements



Road Infrastructure Improvements Capital Projects Fund	Other Governmental Funds	Total
\$ 125,502	\$ 804,436	\$ 929,938
4,994,643	39,000	9,140,836
-	-	172,107
-	249,463	959,590
-	87,409	155,264
-	1,301,694	1,301,694
<u>\$ 5,120,145</u>	<u>\$ 2,482,002</u>	<u>\$ 12,659,429</u>
\$ -	\$ 14,361	\$ 165,561
-	1,731	74,183
-	767,315	1,301,694
-	783,407	1,541,438
-	-	26,691
-	783,407	1,568,129
-	1,301,694	1,301,694
-	120,925	120,925
-	174,417	174,417
-	467,758	467,758
-	145,559	1,651,462
-	-	1,569,076
5,120,145	207,728	5,327,873
-	-	544,161
-	(719,486)	(66,066)
<u>5,120,145</u>	<u>1,698,595</u>	<u>11,091,300</u>
<u>\$ 5,120,145</u>	<u>\$ 2,482,002</u>	<u>\$ 12,659,429</u>

(This page is intentionally left blank)

## Governmental Funds

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

June 30, 2017

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 11,091,300</b>
--	----------------------

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	98,096
Bond insurance costs	61,217

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

Capital assets	96,917,923
Less: Accumulated depreciation	(61,974,826)

Loan proceeds paid to refund bond escrow agent reported as an other financing use in the funds are 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 refunded bonds.

	359,695
--	---------

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.

	26,691
--	--------

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

Accrued Interest	(105,948)
------------------	-----------

Deferred outflows and inflows relating to pension 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	3,018,687
Deferred Inflows	(178,571)

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 Statements.

	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	(158,969)
Bond premiums	(632,279)
Loans payable	(16,513,804)
Net pension liability	(7,787,505)

**Total net position of governmental activities**

	<u><u>\$ 24,721,707</u></u>
--	-----------------------------

**STATE OF NEW MEXICO**  
**City of Belen**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>58th SOW Operations Special Revenue Fund</u>	<u>GRT Revenue Bonds Debt Service Fund</u>	<u>Debt Service</u>
<b>Revenues</b>				
Property taxes	\$ 978,010	\$ -	\$ 236,349	\$ -
Gross receipt taxes	4,291,902	-	-	-
Gas taxes	49,608	-	-	-
Franchise taxes	175,046	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	171,092	-	-	-
State capital grants	-	-	-	-
Federal operating grants	-	1,607,411	-	-
Federal capital grants	-	-	-	-
Charges for services	62,425	-	-	-
Licenses and fees	88,539	-	-	-
Interest income	1,618	-	12,279	6,894
Miscellaneous income	254,473	-	-	-
<b>Total revenue</b>	<u>6,072,713</u>	<u>1,607,411</u>	<u>248,628</u>	<u>6,894</u>
<b>Expenditures</b>				
Current:				
General government	1,572,906	-	-	-
Public safety	3,069,571	-	-	-
Public works	899,742	-	-	-
Culture and recreation	645,599	16,508	-	-
Health and welfare	-	-	-	-
Capital outlay	342,114	85,000	-	-
Debt service:				
Bond Issuance cost	-	-	237,007	-
Principal	-	-	355,000	669,763
Interest	-	-	217,160	185,844
<b>Total expenditures</b>	<u>6,529,932</u>	<u>101,508</u>	<u>809,167</u>	<u>855,607</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(457,219)</u>	<u>1,505,903</u>	<u>(560,539)</u>	<u>(848,713)</u>
<b>Other financing sources (uses)</b>				
Transfers in	139,832	-	96,517	820,825
Transfers out	(472,275)	-	(86,735)	-
Payments to refund bond escrow agent	-	-	(6,112,875)	-
Bond proceeds	-	-	6,242,647	-
<b>Total other financing sources (uses)</b>	<u>(332,443)</u>	<u>-</u>	<u>139,554</u>	<u>820,825</u>
Net change in fund balance	(789,662)	1,505,903	(420,985)	(27,888)
Fund balance - beginning of year	1,987,243	-	653,148	1,364,801
<b>Fund balance - end of year</b>	<u>\$ 1,197,581</u>	<u>\$ 1,505,903</u>	<u>\$ 232,163</u>	<u>\$ 1,336,913</u>

See Independent Auditors' Report and Notes to Financial Statements

Road Infrastructure Improvements Capital Projects Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ 1,214,359
-	1,602,975	5,894,877
-	58,194	107,802
-	-	175,046
-	54,574	54,574
-	343,100	514,192
313,743	35,862	349,605
-	35,550	1,642,961
-	74,502	74,502
-	68,543	130,968
-	67,169	155,708
-	3,215	24,006
570	2,750	257,793
<u>314,313</u>	<u>2,346,434</u>	<u>10,596,393</u>
-	19,338	1,592,244
-	257,582	3,327,153
136,714	92,801	1,129,257
-	150,643	812,750
-	90,294	90,294
542,838	400,116	1,370,068
-	-	237,007
-	840,000	1,864,763
-	115,134	518,138
<u>679,552</u>	<u>1,965,908</u>	<u>10,941,674</u>
<u>(365,239)</u>	<u>380,526</u>	<u>(345,281)</u>
100,000	435,134	1,592,308
(40,000)	(846,186)	(1,445,196)
-	-	(6,112,875)
<u>5,218,982</u>	<u>-</u>	<u>11,461,629</u>
<u>5,278,982</u>	<u>(411,052)</u>	<u>5,495,866</u>
<u>4,913,743</u>	<u>(30,526)</u>	<u>5,150,585</u>
<u>206,402</u>	<u>1,729,121</u>	<u>5,940,715</u>
<u>\$ 5,120,145</u>	<u>\$ 1,698,595</u>	<u>\$ 11,091,300</u>

(This page is intentionally left blank)

**STATE OF NEW MEXICO  
City of Belen**

Exhibit B-2  
Page 2 of 2

**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, 2017**

Net Change in Fund Balance - Governmental Funds \$ 5,150,585

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	1,370,068
Depreciation expense	(2,555,182)

The gain on the disposition of the land in exchange for the economic  
development contract with Keter is not considered current financial resources in  
the governmental fund financial statements but is considered revenues in the  
Statement of Activities 469,958

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

Change in net pension liability	(666,106)
---------------------------------	-----------

In governmental funds delinquent property taxes collected within sixty days after  
year end are not considered "available" revenues and are considered to be  
deferred inflows in the fund financial statements, but are considered revenues in  
the Statement of Activities 26,691

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:

Increase in accrued interest	(67,740)
Increase in accrued compensated absences	(8,756)

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	1,864,763
Net proceeds from debt issuance	(5,348,754)
Amortization of deferred outflows related to debt refunding	(13,180)
Amortization of bond premiums	35,778
Amortization of bond discounts	(6,162)
Amortization of bond insurance cost	23,363

Change in Net Position of Governmental Activities	\$ 275,326
---	------------

## 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, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 650,000	\$ 800,196	\$ 893,960	\$ 93,764
Gross receipts taxes	4,500,000	4,500,000	4,309,515	(190,485)
Franchise tax	212,000	212,000	188,846	(23,154)
Gasoline and motor vehicle	52,000	52,000	45,800	(6,200)
Other	-	-	-	-
<b>Intergovernmental income:</b>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	352,000	282,925	246,168	(36,757)
State capital grants	-	-	-	-
Charges for services	66,000	66,000	56,425	(9,575)
Licenses and fees	156,800	157,292	88,539	(68,753)
Interest income (loss)	3,000	3,000	1,618	(1,382)
Miscellaneous	145,600	222,406	156,530	(65,876)
<b>Total revenue</b>	<u>6,137,400</u>	<u>6,295,819</u>	<u>5,987,401</u>	<u>(308,418)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,321,658	1,439,095	1,454,179	(15,084)
Public safety	3,136,317	3,121,880	3,104,602	17,278
Public works	972,931	972,931	929,742	43,189
Culture and recreation	612,446	637,182	645,599	(8,417)
Capital outlay	387,279	423,727	399,663	24,064
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>6,430,631</u>	<u>6,594,815</u>	<u>6,533,785</u>	<u>61,030</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(293,231)</u>	<u>(298,996)</u>	<u>(546,384)</u>	<u>(247,388)</u>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	293,231	298,996		
Transfers in	56,000	96,000	96,000	-
Transfers out	(230,970)	(305,487)	(305,487)	-
<b>Total other financing sources (uses)</b>	<u>(174,970)</u>	<u>(209,487)</u>	<u>(209,487)</u>	<u>-</u>
Net Change in fund balance	(468,201)	(508,483)	(755,871)	(247,388)
Fund balance - beginning of year			1,987,243	
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,231,372</u>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			(755,871)	
Adjustments to revenue for taxes			85,312	
Adjustment to expenditures for salaries, maintenance, and supplies			(119,103)	
<b>Net Change in fund balance (GAAP basis)</b>			<u>\$ (789,662)</u>	

See Independent Auditors' Report and Notes to Financial Statements



## STATE OF NEW MEXICO

Exhibit C-2

## City of Belen

58<sup>th</sup> SOW Operations

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP	Favorable
			Basis	(Unfavorable)
				Final to Actual
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes	-	-	-	-
Franchise taxes	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
<b>Intergovernmental income:</b>				
Federal operating grants	-	1,607,411	1,607,411	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<u>-</u>	<u>1,607,411</u>	<u>1,607,411</u>	<u>-</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	85,000	101,508	(16,508)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>85,000</u>	<u>101,508</u>	<u>(16,508)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>1,522,411</u>	<u>1,505,903</u>	<u>16,508</u>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	-	(1,522,411)	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	-	1,522,411	1,505,903	(16,508)
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,505,903</u>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			<u>1,505,903</u>	
Adjustments to revenue for taxes			-	
Adjustment to expenditures for supplies			-	
<b>Net Change in fund balance (GAAP basis)</b>			<u>\$ 1,505,903</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, 2017**

Exhibit D-1

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 140,325	\$ 1,798,970	\$ 532,570	\$ 2,471,865
Restricted cash and cash equivalents	-	412,489	-	412,489
Other receivables	-	-	19,639	19,639
Accounts receivable, net	118,729	181,660	128,471	428,860
Prepaid Expense	-	1,000	-	1,000
<b>Total current assets</b>	<u>259,054</u>	<u>2,394,119</u>	<u>680,680</u>	<u>3,333,853</u>
<b>Noncurrent assets</b>				
Customer deposits	-	205,315	-	205,315
Capital Assets	27,535,260	14,847,984	665,763	43,049,007
Less: Accumulated depreciation	(16,096,779)	(6,406,919)	(172,951)	(22,676,649)
<b>Total noncurrent assets</b>	<u>11,438,481</u>	<u>8,646,380</u>	<u>492,812</u>	<u>20,577,673</u>
<b>Deferred outflows of resources</b>				
Deferred outflows from pension	138,423	267,477	50,481	456,381
<b>Total assets, and deferred outflows of resources</b>	<u>\$ 11,835,958</u>	<u>\$ 11,307,976</u>	<u>\$ 1,223,973</u>	<u>\$ 24,367,907</u>
<b>Liabilities, deferred inflows and net position</b>				
<b>Liabilities</b>				
Accounts payable	\$ 32,930	\$ 138,025	\$ 101,670	\$ 272,625
Accrued salaries and benefits	5,885	9,681	3,093	18,659
Customer Deposits	-	205,315	-	205,315
Accrued interest	-	2,101	-	2,101
Loans payable	-	12,770	-	12,770
Compensated absences	3,134	5,413	950	9,497
Landfill closure liability	-	-	21,930	21,930
<b>Total current liabilities</b>	<u>41,949</u>	<u>373,305</u>	<u>127,643</u>	<u>542,897</u>
<b>Noncurrent liabilities</b>				
Notes payable	-	69,936	-	69,936
Compensated absences	12,536	21,653	3,798	37,987
Landfill closure liability	-	-	228,381	228,381
Net pension liability	357,099	690,028	130,230	1,177,357
<b>Total noncurrent liabilities</b>	<u>369,635</u>	<u>781,617</u>	<u>362,409</u>	<u>1,513,661</u>
<b>Total Liabilities</b>	<u>411,584</u>	<u>1,154,922</u>	<u>490,052</u>	<u>2,056,558</u>
<b>Deferred inflows of resources</b>				
Deferred inflows from pension	8,188	15,823	2,986	26,997
<b>Net position</b>				
Net investment in capital asset	11,438,481	8,441,065	492,812	20,372,358
Restricted for:				
Capital projects	-	412,489	-	412,489
Unrestricted	(22,295)	1,283,677	238,123	1,499,505
<b>Total net position</b>	<u>11,416,186</u>	<u>10,137,231</u>	<u>730,935</u>	<u>22,284,352</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 11,835,958</u>	<u>\$ 11,307,976</u>	<u>\$ 1,223,973</u>	<u>\$ 24,367,907</u>

See Independent Auditors' Report and Notes to Financial Statements

## STATE OF NEW MEXICO

Exhibit D-2

## City of Belen

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017**

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 1,635,635	\$ 1,561,404	\$ 1,412,353	\$ 4,609,392
<b>Total operating revenues</b>	<u>1,635,635</u>	<u>1,561,404</u>	<u>1,412,353</u>	<u>4,609,392</u>
<b>Operating expenses:</b>				
Depreciation and amortization	687,046	298,123	47,997	1,033,166
Personnel services	449,283	596,475	196,945	1,242,703
Contractual services	6,573	24,636	979,773	1,010,982
Supplies	-	3,895	-	3,895
Maintenance and Materials	340,027	229,445	118,009	687,481
Utilities	144,104	139,724	9,778	293,606
Miscellaneous	143,544	189,396	41,673	374,613
<b>Total operating expense</b>	<u>1,770,577</u>	<u>1,481,694</u>	<u>1,394,175</u>	<u>4,646,446</u>
<b>Operating income (loss)</b>	<u>(134,942)</u>	<u>79,710</u>	<u>18,178</u>	<u>(37,054)</u>
<b>Non-operating revenues (expense):</b>				
Gross receipts taxes	80,548	220,811	39,851	341,210
Interest income	-	117	-	117
Interest expense	-	(2,585)	-	(2,585)
<b>Total non-operating revenues (expense)</b>	<u>80,548</u>	<u>218,343</u>	<u>39,851</u>	<u>338,742</u>
<b>Income (loss) before contributions and transfers</b>	<u>(54,394)</u>	<u>298,053</u>	<u>58,029</u>	<u>301,688</u>
Transfers in	310,521	214,000	-	524,521
Transfers out	(177,556)	(427,556)	(66,521)	(671,633)
<b>Total contributions and transfers</b>	<u>132,965</u>	<u>(213,556)</u>	<u>(66,521)</u>	<u>(147,112)</u>
<b>Change in Net Position</b>	78,571	84,497	(8,492)	154,576
<b>Net Position, beginning of year</b>	<u>11,337,615</u>	<u>10,052,734</u>	<u>739,427</u>	<u>22,129,776</u>
<b>Net Position - end of the year</b>	<u>\$ 11,416,186</u>	<u>\$ 10,137,231</u>	<u>\$ 730,935</u>	<u>\$ 22,284,352</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**City of Belen**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

Exhibit D-3

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Cash flow from operating activities</b>				
Cash received from customers	\$ 1,634,936	\$ 1,574,383	\$ 1,400,519	\$ 4,609,838
Cash payments to employees for services	(452,942)	(598,362)	(192,979)	(1,244,283)
Cash payments to suppliers for goods and services	(756,288)	(554,248)	(1,192,480)	(2,503,016)
<b>Net cash provided from operating activities</b>	<u>425,706</u>	<u>421,773</u>	<u>15,060</u>	<u>862,539</u>
<b>Cash flow from noncapital financing activities</b>				
Taxes received	80,548	220,811	39,851	341,210
Transfers	132,965	514,328	(66,521)	580,772
<b>Net cash flows provided (used) by noncapital financing activities</b>	<u>213,513</u>	<u>735,139</u>	<u>(26,670)</u>	<u>921,982</u>
<b>Cash Flows from capital and related financing activities:</b>				
Interest paid	-	(2,899)	-	(2,899)
Principal payments	-	(12,392)	-	(12,392)
Acquisition of capital assets	(505,951)	(711,057)	(337,502)	(1,554,510)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(505,951)</u>	<u>(726,348)</u>	<u>(337,502)</u>	<u>(1,569,801)</u>
<b>Cash flows from investing activities</b>				
Interest income	-	117	-	117
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>117</u>	<u>-</u>	<u>117</u>
Net increase (decrease) in cash and cash equivalents	133,268	430,681	(349,112)	214,837
Cash & cash equivalents - beginning of year	7,057	1,986,093	881,682	2,874,832
<b>Cash &amp; cash equivalents - end of year</b>	<u>\$ 140,325</u>	<u>\$ 2,416,774</u>	<u>\$ 532,570</u>	<u>\$ 3,089,669</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (134,942)	\$ 79,710	\$ 18,178	\$ (37,054)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>				
Depreciation	687,046	298,123	47,997	1,033,166
Employer pension contributions	8,510	17,266	10,882	36,658
<b>Changes in assets &amp; liabilities:</b>				
Receivables	(699)	15,256	(11,834)	2,723
Accounts payable	(122,040)	32,848	(32,064)	(121,256)
Accrued salaries and benefits	(12,978)	(20,848)	(7,159)	(40,985)
Compensated absences	809	1,695	243	2,747
Customer deposits	-	(2,277)	-	(2,277)
Net change in landfill liability	-	-	(11,183)	(11,183)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 425,706</u>	<u>\$ 421,773</u>	<u>\$ 15,060</u>	<u>\$ 862,539</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, 2017**

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

The City of Belen (City) was incorporated in 1918. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety services (police and fire), culture and recreation, public improvements, housing, planning and zoning, highways and streets, public utilities (wastewater, water and solid waste), health and social services, and general administrative services.

The City is a body politic and corporate 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, 2017**

**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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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, 2017**

**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, 2017**

**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. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

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

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

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

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

As a general rule, the effect of interfund 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, 2017**

**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 interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources 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, 2017 the City had no prepaid expenses.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

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

**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable PERA and Retiree Health Care.

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue. The City had \$26,691 of unearned revenues as of June 30, 2017 relating to property taxes.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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 of Resources Related to Pension:** In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has five types of items that qualify for reporting in this category: difference between expected and actual experience in the amount of \$506,935, change in assumptions in the amount of \$536,214, net difference between projected and actual earnings on pension plan investments of \$1,369,450, changes in proportion and differences between City's contributions and proportionate share of contributions of \$316,031 and employer contributions subsequent to the measurement date of \$746,438. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become due.

**Deferred Inflows of Resources Related to Pension:** In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measureable and available to finance expenditures of the current fiscal period) to be recognized. 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 inflows of resources. The City has three types of deferred inflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, difference between expected and actual experience in the amount of \$39,152, changes in assumption of \$53,361, and changes in proportion and differences between City's contributions and proportionate share of contributions of \$113,055. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Pensions:** The Government wide financial statements and proprietary type funds report deferred outflows and deferred inflows for purposes of measuring the net pension liability. Deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Compensated Absences:** City employees accrue sick leave at the rate of 15 days per year. The maximum amount of accrual of sick leave is 1,040 hours per calendar year. Employees are only paid sick leave when they have met the requirements for retirement and are not paid if they are dismissed or resigned prior to meeting those requirements. Accordingly, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

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.

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 interfund loans. At June 30, 2017 the City reported \$1,301,694 in non-spendable fund balances, related to interfund loans in 1/8 GRT Infrastructure and 1/2 GRT Infrastructure funds.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

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, 2017, the City has presented restricted and committed fund balance on the governmental funds balance sheet in the amount of \$9,855,672 for various City operations as restricted by enabling legislation in the special revenue funds, debt service, and for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 16 and 17.

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.

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 \$544,161 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.

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

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

**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 Village 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 and related amounts, and the useful lives of capital assets.

**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.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 2. Stewardship, Compliance, and Accountability (continued)**

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

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

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

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

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

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.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

At June 30, 2017, \$12,505,734 of the City's bank balance of \$12,912,450 was exposed to custodial credit risk. \$6,319,275 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 \$6,186,459 was uninsured and uncollateralized at June 30, 2017.

	<u>Wells Fargo</u>	<u>My Bank</u>	<u>Bank of Albuquerque</u>	<u>Total</u>
Deposits	\$ 12,755,734	\$ 117,716	\$ 39,000	\$ 12,912,450
Less: FDIC Coverage	(250,000)	(117,716)	(39,000)	(406,716)
Total uninsured public funds	<u>12,505,734</u>	<u>\$ -</u>	<u>-</u>	<u>12,505,734</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	6,319,275	-	-	6,319,275
Uninsured and uncollateralized	<u>\$ 6,186,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,186,459</u>
Collateral requirements (50% of uninsured funds)	\$ 6,252,867	\$ -	\$ -	\$ 6,252,867
Pledged Collateral	6,319,275	-	-	6,319,275
Over (under) collateralized	<u>\$ 66,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,408</u>

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

Cash and cash equivalents per Exhibit A-1	\$ 3,401,803
Restricted cash and cash equivalents per Exhibit A-1	9,553,325
Customer deposits per Exhibit A-1	<u>205,315</u>
Total cash and cash equivalents	13,160,443
Add: Outstanding checks	369,355
Less: Outstanding deposits	(27,038)
Less: Petty cash	(600)
Less: Cash held at the NMFA	<u>(589,710)</u>
Bank balance of deposits	<u>\$ 12,912,450</u>



**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 4. Accounts and Taxes Receivable**

Receivables as of June 30, 2017 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property taxes	\$ 172,107	\$ -	\$ 172,107
Gross receipts taxes	959,590	19,639	979,229
Franchise taxes	34,650	-	34,650
Gasoline taxes	27,434	-	27,434
Lodgers taxes	5,739		5,739
<b>Other receivables:</b>			-
Customer receivables		454,513	454,513
State grants	54,236		54,236
Federal grants			-
Miscellaneous	33,205	-	33,205
Total gross receivables	<u>\$ 1,286,961</u>	<u>\$ 474,152</u>	<u>\$ 1,761,113</u>
Less: allowance for customer receivables	<u>\$ -</u>	<u>\$ (25,653)</u>	<u>\$ (25,653)</u>
Receivables, Net	<u>\$ 1,286,961</u>	<u>\$ 448,499</u>	<u>\$ 1,735,460</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 \$26,691 and is reclassified as deferred inflow of resources in the governmental fund financial statements.

**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, 2017 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
1/8 GRT Infrastructure	General Fund	\$ 534,379
1/8 GRT Infrastructure	Alexander Airport	331,926
1/2% GRT Infrastructure	Multi-Purpose Park	60,855
1/2% GRT Infrastructure	Camino Del Llano	188,902
1/2% GRT Infrastructure	Judicial Fund	9,376
1/2% GRT Infrastructure	2005 GRT Revenue Bonds	176,256
		<u>\$ 1,301,694</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 5. Interfund Receivables, Payables, and Transfers (continued)**

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Debt Service	General Fund	\$ 48,998
RSVP	General Fund	32,436
Alexander Airport	General Fund	43,536
Confidential Fund	General Fund	6,000
CDBG	General Fund	78,000
Christopher Road	General Fund	166,788
GRT Revenue Bonds	General Fund	96,517
Debt Service	Fire Protection	51,355
Debt Service	1/8 GRT	124,297
Debt Service	1/2 GRT Infrastructure	291,063
Water	1/2 GRT Infrastructure	186,000
General Fund	Road/Infrastructure Improvements	40,000
Water	2005 GRT Revenue Bonds	28,000
Road/Infrastructure Improvements	Street Paving Revolving	100,000
General Fund	2008 GRT Revenue Bonds	43,832
2005 GRT Revenue Bonds	2008 GRT Revenue Bonds	42,903
2005 GRT Revenue Bonds	Christopher Road Capital Projects	65,471
Debt Service	Waste Water	152,556
General Fund	Waste Water	25,000
Waste Water	Water	250,000
Debt Service	Water	152,556
General Fund	Water	25,000
Waste Water	Solid Waste	60,521
General Fund	Solid Waste	6,000
Total:		<u>\$ 2,116,829</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows (land and construction in progress is not subject to depreciation):

<b>Governmental Activities:</b>	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>CIP Transfers</b>	<b>Balance June 30, 2017</b>
Capital assets not being depreciated:					
Land	\$ 8,632,637	\$ -	\$ (30,042)	\$ -	\$ 8,602,595
Construction in progress (CIP)	870,410	526,936	-	(1,136,631)	260,715
<b>Total capital assets, not depreciated</b>	<b>9,503,047</b>	<b>526,936</b>	<b>(30,042)</b>	<b>(1,136,631)</b>	<b>8,863,310</b>
Capital assets depreciated:					
Buildings	26,874,353	137,235	-	-	27,011,588
Equipment	2,713,510	211,982	-	-	2,925,492
Furniture Fixtures	553,030	16,141	-	-	569,171
Vehicles	2,491,275	243,826	-	-	2,735,101
Infrastructure	53,442,682	233,948	-	1,136,631	54,813,261
<b>Total capital assets, depreciated</b>	<b>86,074,850</b>	<b>843,132</b>	<b>-</b>	<b>1,136,631</b>	<b>88,054,613</b>
<b>Total capital assets</b>	<b>95,577,897</b>				<b>96,917,923</b>
Less accumulated depreciation:					
Buildings	13,642,421	823,752	-	-	14,466,173
Equipment	2,253,865	144,929	-	-	2,398,794
Furniture Fixtures	452,064	47,984	-	-	500,048
Vehicles	1,458,255	205,222	-	-	1,663,477
Infrastructure	41,613,039	1,333,295	-	-	42,946,334
<b>Total accumulated depreciation</b>	<b>59,419,644</b>	<b>2,555,182</b>	<b>-</b>	<b>-</b>	<b>61,974,826</b>
<b>Capital Assets, Net</b>	<b>\$ 36,158,253</b>				<b>\$ 34,943,097</b>

Depreciation expense was charged to the following Governmental Activities:

<b>Governmental Activities:</b>	
General Government	\$ 565,954
Public Safety	1,182,617
Public Works	485,630
Culture and Recreation	288,887
Health and welfare	32,094
<b>Total depreciation expense, governmental activities</b>	<b>\$ 2,555,182</b>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

<b>Business-type activities:</b>	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>CIP Transfers</b>	<b>Balance June 30, 2017</b>
Capital assets not depreciated:					
Land and water rights	\$ 2,696,019	\$ -	\$ -	\$ -	\$ 2,696,019
Construction in progress	693,990	566,425	-	(731,154)	529,261
Total capital assets not depreciated	<u>3,390,009</u>	<u>566,425</u>	<u>-</u>	<u>(731,154)</u>	<u>3,225,280</u>
Capital asset depreciated:					
Equipment	2,057,274	636,145	-	-	2,693,419
Buildings	9,074,613	187,215	-	731,154	9,992,982
Infrastructure	21,598,580	164,725	-	-	21,763,305
Waste Water System	5,374,021	-	-	-	5,374,021
Total capital assets, depreciated	<u>38,104,488</u>	<u>988,085</u>	<u>-</u>	<u>731,154</u>	<u>39,823,727</u>
Total capital assets	<u>41,494,497</u>				<u>43,049,007</u>
Less accumulated depreciation:					
Equipment	1,362,899	133,004	-	-	1,495,903
Buildings	6,747,497	242,080	-	-	6,989,577
Infrastructure	10,879,207	478,948	-	-	11,358,155
Waste Water System	2,653,880	179,134	-	-	2,833,014
Total accumulated depreciation	<u>21,643,483</u>	<u>1,033,166</u>	<u>-</u>	<u>-</u>	<u>22,676,649</u>
Capital Assets, Net	<u>\$ 19,851,014</u>				<u>\$ 20,372,358</u>

**NOTE 7. Economic Development Project**

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

<b>Job Determination Date</b>	<b>Target Job Number</b>	<b>Minum Job Number</b>	<b>Clawback Penalty if Minum Job Number is not met</b>
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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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.

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, 2017 the City recognized a gain in the amount of \$469,958 on the disposal of the land and water rights in the government wide statement of activities and deferred outflows of resources in the amount of \$500,000 in the Statement of Net Position which will be amortized over the above life of the Clawback contract as required by GASB 33 financial reporting for non-exchange transactions.

**NOTE 8. Long-term Debt**

**Governmental Activities:**

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

	Balance June 30, 2016	Restatement	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Revenue Bonds	\$ 6,902,300	-	\$ 5,061,700	\$ (1,235,000)	10,729,000	\$ 557,671
NMFA Loans	5,539,914	781,291	-	(583,837)	5,737,368	624,515
Capital leases	93,362	-	-	(45,926)	47,436	47,436
Total Loans Payable	<u>\$ 12,535,576</u>	<u>\$ 781,291</u>	<u>\$ 5,061,700</u>	<u>\$ (1,864,763)</u>	<u>\$ 16,513,804</u>	<u>\$ 1,229,622</u>
Compensated Absences	<u>\$ 150,213</u>	<u>\$ -</u>	<u>\$ 162,978</u>	<u>\$ (154,222)</u>	<u>\$ 158,969</u>	<u>\$ 31,794</u>
Total Long Term Debt	<u>\$ 12,685,789</u>	<u>\$ 781,291</u>	<u>\$ 5,224,678</u>	<u>\$ (2,018,985)</u>	<u>\$ 16,672,773</u>	<u>\$ 1,261,416</u>

**Refunding Revenue Bonds:**

In November of 2016 the City refunded the 2008 gross receipt tax (GRT) revenue bonds with series 2016 GRT revenue bonds. The difference between the cash flow required to service the 2008 and the 2016 GRT revenue bonds resulted in a savings of approximately \$1,544,136 over the next 17 years. The difference between the present value of the old debt service and the present value of the new debt service resulted in an economic gain of approximately \$549,382. The amount of the defeasance of debt in the refunding was approximately \$6,095,000. The amount remaining in escrow as of June 30, 2017 for the advanced refunding was approximately \$6,135,362.

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**Governmental Activities (continued):**

**Revenue Bonds:**

As of June 30, 2017 the City had three revenue bonds outstanding. For the Series 2016 GRT refunding revenue bonds and the series 2016 GRT revenue bonds, the City pledged revenues from the State-Shared Gross Receipts Tax revenues. For the Series 2012 Fire Protection Revenue Bond, the City pledged revenues from the Fire Protection funds disbursed by the State of New Mexico to the City. The revenue bonds are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2017
Series 2012 Fire Protection Revenue Bonds	0-Jan-00	13-Jul-22	3.50%	427,000	\$ 214,000
Series 2016 GRT Bonds	20-Jul-16	1-Aug-31	2.50 - 5.00%	5,165,000	5,165,000
Series 2016 GRT Refunding Bonds	30-Nov-16	1-Jun-33	2.00 - 4.00%	5,725,000	5,350,000
Total					<u>\$ 10,729,000</u>

The annual requirements to amortize the gross receipts revenue bonds outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 557,671	\$ 332,090	\$ 889,761
2019	573,814	317,847	891,661
2020	594,998	300,663	895,661
2021	621,223	281,313	902,536
2022	637,491	259,545	897,036
2023-2027	3,353,803	958,158	4,311,961
2028-2032	3,950,000	384,669	4,334,669
2033-2037	440,000	10,450	450,450
Total	<u>\$ 10,729,000</u>	<u>\$ 2,844,735</u>	<u>\$ 13,573,735</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**Governmental Activities (continued)**

**NMFA Loans:**

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

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2017
NMFA Reinken Road & Main Street	7-Nov-01	1-May-26	0.00%	4,779,793	\$ 74,928
NMED CWSRF Loan	30-Dec-03	30-Dec-22	2.00%	4,049,684	1,387,282
NMFA Refinance Reinken	8-Jul-11	1-May-26	1.45-4.02%	3,355,652	2,140,665
NMFA Refinancing WW/W	29-Apr-11	1-May-32	1.78-4.83%	2,220,008	1,353,203
CWSRF Loan	Various	11-Sep-36	2.00%	781,290	781,290
					<u>\$ 5,737,368</u>

**Capital Lease:**

The City purchased a street sweeper under a capital lease agreement. The lease is as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2017
Capital Lease - Sweeper	22-Feb-13	1-Mar-18	3.29%	222,548	\$ 47,436

The annual requirements to amortize the NMFA Loans and the Capital Lease as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 671,951	\$ 168,203	\$ 840,154
2019	640,048	154,494	794,542
2020	654,919	139,175	794,094
2021	561,519	123,954	685,473
2022	577,106	107,389	684,495
2023-2027	1,828,105	321,476	2,149,581
2028-2032	625,941	80,509	706,450
2033-2037	225,215	4,419	229,634
Total	<u>\$ 5,784,804</u>	<u>\$ 1,099,619</u>	<u>\$ 6,884,423</u>

**Compensated Absences**

Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During the fiscal year June 30, 2017, compensated absences increased \$8,756 from the prior year accrual. In prior years, the general fund was typically used to liquidate such liabilities.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**Business-Type Activities**

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant, and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Loans and Notes Payable	\$ 95,098	\$ -	\$ 12,392	\$ 82,706	\$ 12,770
Landfill Closure Liability	261,494	-	11,183	250,311	21,930
Compensated Absences	44,737	35,560	32,813	47,484	9,497
<b>Total Long Term Debt</b>	<b>\$ 401,329</b>	<b>\$ 35,560</b>	<b>\$ 56,388</b>	<b>\$ 380,501</b>	<b>\$ 44,197</b>

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. The San Juan-Chama Project Loan is as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2017
San Juan-Chama Project	Jan-89	Jan-22	3.05%	\$ 331,030	\$ 82,706

The annual requirement to amortize San Juan-Chama Project Loan as of June 30, 2017, including interest payments, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 12,770	\$ 2,899	\$ 15,669
2019	13,159	2,521	15,680
2020	13,560	2,132	15,692
2021	13,974	1,731	15,705
2022	14,400	1,317	15,717
2023	14,843	1,344	16,187
<b>Total</b>	<b>\$ 82,706</b>	<b>\$ 11,944</b>	<b>\$ 94,650</b>

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, 2017. The estimate of closure and post-closure costs has a balance of \$250,311. The City has no other responsibility for landfill activity.



**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**Business-Type Activities (continued)**

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, 2017, compensated absences increased \$2,747 in business-type activities from the prior year accrual. In prior years, the proprietary fund associated with these liabilities has been used to liquidate them.

**NOTE 9. Other Required Fund Disclosures**

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

- A. Deficit fund balance/net position of individual funds. The deficit fund balances as of June 30, 2017 were as follows:

<u>Fund</u>	<u>Amount</u>
Judicial	\$ (9,376)
2005 GRT Revenue Bonds	\$ (176,256)
Alexander Airport	\$ (331,926)
Multi-Purpose Park Capital Project Fund	\$ (13,026)
Camino Del Llano Capital Projects Fund	\$ (188,902)

- B. Excess of expenditures over appropriations. Budgetary authority is at the fund level. The following funds exceeded approved budgetary authority for the year ended June 30, 2017:

<u>Fund</u>	<u>Amount</u>
58th SOW Operations	\$ 16,508
GRT Revenue Bonds	\$ 25,165
1/8 GRT Infrastructure	\$ 710
1/2 GRT Infrastructure	\$ 2,400
Evidence	\$ 198
Martin Luther King	\$ 1,138
RSVP	\$ 4,617
Street Paving	\$ 1,774
2005 GRT Revenue Bonds	\$ 395,135
Solid Waste	\$ 138,522

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 9. Other Required Fund Disclosures (continued)**

C. Designated cash appropriations exceeded available balances in the following funds for the year ended June 30, 2017:

<u>Fund</u>	<u>Amount</u>
Multi -Purpose Park Capital Project Fund	\$ 6,184
Jail	\$ 3,419
Alexander Airport	\$ 220,466
Camino Del Llano	\$ 188,999

**NOTE 10. Risk Management**

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

During the year ended June 30, 2017, the City paid out settlements of \$66,661. The claim was fully covered by the City's insurance. Should additional claims be filed against the City which exceeds the insurance coverage, the City would be responsible for losses in excess of the coverage amounts.

Subsequent to June 30, 2017, the City has various claims against the City with undeterminable outcomes.

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

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

As of June 30, 2017, no unpaid claims have been filed which exceed the policy limits, and to the best of management's knowledge and belief, all known and unknown claims will be covered by insurance. The New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 11. Pension Plan- Public Employees Retirement Association**

**General Information about the Pension Plan**

**Plan description:**

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

**Benefits provided**

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf).

The PERA coverage options that apply to the City are: Municipal General, Municipal Police, and The Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$404,006 for the year ended June 30, 2017. 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, 2017**

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

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

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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, 2017, the City reported a liability of \$4,011,733 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .2511 percent, which was slightly changed from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal General Pension expense of \$354,836. At June 30, 2017, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 200,443	\$ 39,152
Changes of assumptions	235,241	667
Net difference between projected and actual earnings on pension plan investments	738,151	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	145,378	32,057
City's contributions subsequent to the measurement date	<u>354,836</u>	<u>-</u>
Total	<u>\$ 1,674,049</u>	<u>\$ 71,876</u>

\$354,836 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>
2018	\$ 279,944
2019	279,944
2020	496,443
2021	191,006
Thereafter	-
Total	<u>\$ 1,247,337</u>

For PERA Fund Division Municipal Police, at June 30, 2017, the City reported a liability of \$2,921,806 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .3960 percent, which was slightly changed from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Police pension expense of \$246,767. At June 30, 2017, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 214,504	\$ -
Changes of assumptions	193,524	52,694
Net difference between projected and actual earnings on pension plan investments	462,100	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	27,962	75,166
City's contributions subsequent to the measurement date	<u>246,767</u>	<u>-</u>
Total	<u>\$ 1,144,857</u>	<u>\$ 127,860</u>

The City's contributions of \$246,767 are reported as deferred outflows of resources related to pensions, resulting in the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>
2018	\$ 170,462
2019	170,462
2020	310,267
2021	119,039
Thereafter	-
Total	<u>\$ 770,230</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

For PERA Fund Division Municipal Fire, at June 30, 2017, the City reported a liability of \$2,031,324 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .3045 percent, which was slightly changed from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Fire pension expense of \$144,835. At June 30, 2017, the City reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows of 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	\$ 91,988	\$ -
Changes of assumptions	107,449	-
Net difference between projected and actual earnings on pension plan investments	169,199	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	142,691	5,832
City's contributions subsequent to the measurement date	<u>144,835</u>	<u>-</u>
Total	<u>\$ 656,162</u>	<u>\$ 5,832</u>

\$144,835 reported as deferred outflows of resources related to pensions resulting in the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>
2018	\$ 145,670
2019	145,670
2020	166,182
2021	119,039
Thereafter	-
Total	<u>\$ 576,561</u>



**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**Actuarial Assumptions:** The total pension liability at June 30, 2017 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	Fair value
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00% annual rate
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 to June 30, 2013

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

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.39%
Risk Reduction	21.5%	1.79%
Credit Oriented	15.0%	5.77%
Real Assets	20.0%	4.15%
Total	100%	

**Discount rate**

The discount rate used to measure the total pension liability was 7.48%. 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 7.48% 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, 2017**

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

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City's proportionate share of the net pension liability	\$ 5,981,137	\$ 4,011,733	\$ 2,378,211
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City's proportionate share of the net pension liability	\$ 4,298,702	\$ 2,921,806	\$ 1,795,666
<u>PERA Fund Division Fire Government</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City's proportionate share of the net pension liability	\$ 2,656,962	\$ 2,031,323	\$ 1,517,428

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to pension plan:** As of June 30, 2017, the City had no outstanding amount of contributions to the pension plan.

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

**Plan Description:** The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$70,663, \$65,089 and \$57,507, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 13. Subsequent Events**

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 15, 2017 which is the date on which the financial statements were available to be issued.

**NOTE 14. Restricted net position**

The government-wide statement of net position reports restricted net position in governmental funds of \$9,311,511. For descriptions of the related enabling legislation for special revenue, capital projects, see page 34-35 and pages 74-77 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 \$412,489. This amount is restricted for capital projects for water line extensions, and improvements.

**NOTE 15. Utility Revenues Pledged**

The City of Belen has pledged future revenues from the water and sewer system, net of operation and maintenance expenses and the distributions to the City of state-shared gross receipts tax revenues from the New Mexico Taxation and Revenue Department to repay \$1,387,281 to the New Mexico Environment Department for the NMED CWSRF loan, issued in 2003. The loan is payable solely from utility customer net revenues (defined as all income and revenues directly or indirectly derived by operation of the City's Joint Water and Sewer System less the operation and maintenance expenses of the System and parity obligations) and state shared infrastructure gross receipts tax revenues and is payable through December 2022. The pledged revenues shall be in an amount sufficient to pay principal and interest amounts due under the loan agreement, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan are \$1,387,282 and \$98,712 respectively.

**NOTE 16. Leases**

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

<b>Fiscal year ending June 30,</b>	<b>Amount</b>
2018	\$ 24,168
2019	12,304
2020	-
2021	-
2022	-
<b>Total</b>	<b>\$ 36,472</b>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 17. Related Party**

As of June 30, 2017, the City's management was not aware of any related party relationships.

**NOTE 18. Restatements**

The City recorded a restatement to net position to prior year's government wide financial statements. In fiscal year 2016 the City recognized revenues in Camino Del Llano Capital Projects Fund in the amount of \$893,869 as a state capital grants. This revenue was a loan grant agreement for a loan amount of \$781,291 and a grant portion of \$112,578. The city recorded a restatement to the government wide financial statement for \$(781,291).

**NOTE 19. GASB 77 Disclosures (Tax Abatements)**

Management of the City is not aware of any tax abatement agreements that existed as of June 30, 2017.

**NOTE 20. Joint Powers Agreements**

**Central Solid Waste Authority**

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**Medical Director for EMS Services**

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

**Valencia County Detention Center**

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

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

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

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

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

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

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

**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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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

**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

**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



**REQUIRED SUPPLEMENTARY INFORMATION**

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

**MUNICIPAL GENERAL FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.2511	0.2327	0.2383
City's proportionate share of the net pension liability (asset)	\$ 4,011,733	\$ 2,372,578	\$ 1,858,996
City's covered-employee payroll	\$ 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	209.72%	138.42%	125.60%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

See Independent Auditors' Report

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

**MUNICIPAL POLICE FUND**

	<u>2017</u>		<u>2016</u>		<u>2015</u>
City's proportion of the net pension liability (asset)	0.3960		0.3881		0.4182
City's proportionate share of the net pension liability (asset)	\$ 2,921,806	\$	1,866,202	\$	\$ 1,363,286
City's covered-employee payroll	\$ 901,657	\$	931,560	\$	807,916
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	324.05%		200.33%		168.74%
Plan fiduciary net position as a percentage of the total pension liability	69.18%		76.99%		81.29%

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

See Independent Auditors' Report

## Schedules of Required Supplementary Information

## Schedule of the City's Proportionate Share of the Net Pension Liability of PERA

## Fund Division – Municipal Fire

## Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years\*

## MUNICIPAL FIRE FUND

	<u>2017</u>		<u>2016</u>		<u>2015</u>
City's proportion of the net pension liability (asset)	0.3045		0.2656		0.2680
City's proportionate share of the net pension liability (asset)	\$ 2,031,323	\$	1,370,810	\$	1,118,630
City's covered-employee payroll	\$ 504,651	\$	452,185	\$	281,072
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	402.52%		303.15%		397.99%
Plan fiduciary net position as a percentage of the total pension liability	69.18%		76.99%		81.29%

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

See Independent Auditors' Report

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

<b>MUNICIPAL GENERAL FUND</b>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 124,336	\$ 317,945	\$ 297,215
Contributions in relation to the contractually required contribution	\$ 354,836	\$ 316,684	\$ 271,599
Contribution deficiency (excess)	\$ (230,500)	\$ 1,261	-
City's covered-employee payroll	\$ 1,912,863	\$ 1,713,991	\$ 1,619,650
Contributions as a percentage of covered-employee payroll	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**  
**Notes to Schedule**  
**Schedules of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal Police**  
**Last 10 Years\***

**MUNICIPAL POLICE FUND**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 170,413	\$ 201,863	\$ 218,958
Contributions in relation to the contractually required contribution	\$ 246,767	\$ 247,231	\$ 218,958
Contribution deficiency (excess)	\$ 76,354	\$ (45,548)	\$ -
City's covered-employee payroll	\$ 901,657	\$ 931,560	\$ 807,916
Contributions as a percentage of covered-employee payroll	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**  
**Notes to Schedule**  
**Schedules of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal Fire**  
**Last 10 Years\***

**MUNICIPAL FIRE FUND**

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Contractually required contribution	\$ 109,257	\$	85,463	\$	94,208
Contributions in relation to the contractually required contribution	\$ 144,835	\$	100,729	\$	94,208
Contribution deficiency (excess)	\$ 35,578	\$	(15,266)	\$	-
City's covered-employee payroll	\$ 504,651	\$	452,185	\$	315,078
Contributions as a percentage of covered-employee payroll	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**  
**Notes to the Schedule of Required Supplementary Information**  
**For the Year Ended June 30, 2017**

**Changes of benefit terms.**

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf).

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf).

See Independent Auditors' Report



## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**City of Belen**  
**Nonmajor Fund Description**  
**June 30, 2017**

**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.

**Jail**

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, 2017**

**Special Revenue Funds (continued)**

**Law Enforcement**

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

**Confiscated Funds**

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

**Lodger’s Tax**

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

**Property Abatement**

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

**Judicial Fund**

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

**Martin Luther King**

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

**Technology Infrastructure Fee**

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

**RSVP**

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

(This page is intentionally left blank)

**STATE OF NEW MEXICO**  
**City of Belen**  
**Nonmajor Fund Description**  
**June 30, 2017**

**Special Revenue Funds (continued)**

**Street Paving Revolving**

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**

**2005 GRT Revenue Bonds**

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

**Capital Projects Funds**

**Alexander Airport**

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

**Mult-Purpose Park**

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

**Camino Del Llano**

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

**Christopher Road**

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

**CDBG**

Monies were transferred into this fund to account for future expenditures related to federal capital grants that that will be used to make capital improvements to the City's infrastructure in fiscal year 2018.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<u>Special Revenue</u>			
	<u>Parks &amp; Recreation</u>	<u>Fire Protection</u>	<u>EMS Rescue</u>	<u>1/8 GRT Infrastructure</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 62,074	\$ 76,558	696	\$ 51,168
Restricted cash	-	39,000	-	-
Gross receipt taxes receivable	-	-	-	78,560
Other receivables	-	-	-	-
Due from other funds	-	-	-	866,305
<b>Total assets</b>	<b>\$ 62,074</b>	<b>\$ 115,558</b>	<b>\$ 696</b>	<b>\$ 996,033</b>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Nonspendable:				
Interfund Loans	-	-	-	866,305
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	115,558	696	-
Public works	-	-	-	-
Culture and recreation	62,074	-	-	-
Capital projects	-	-	-	129,728
Unassigned	-	-	-	-
<b>Total fund balance</b>	<b>62,074</b>	<b>115,558</b>	<b>696</b>	<b>996,033</b>
<b>Total liabilities and fund balance</b>	<b>\$ 62,074</b>	<b>\$ 115,558</b>	<b>\$ 696</b>	<b>\$ 996,033</b>

See Independent Auditors' Report and Notes to Financial Statements

**Special Revenue**

<u>1/2% GRT Infrastructure</u>	<u>Department of Justice</u>	<u>Jail</u>	<u>Evidence</u>	<u>Law Enforcement</u>	<u>Confiscated Funds</u>
52,089	\$ 6,208	20,997	\$ 24,493	\$ -	\$ 4,460
-	-	-	-	-	-
170,903	-	-	-	-	-
-	-	-	-	-	-
435,389	-	-	-	-	-
<u>\$ 658,381</u>	<u>\$ 6,208</u>	<u>\$ 20,997</u>	<u>\$ 24,493</u>	<u>\$ -</u>	<u>\$ 4,460</u>
4,235	\$ -	\$ 3,683	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,235</u>	<u>-</u>	<u>3,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
435,389	-	-	-	-	-
-	-	-	-	-	-
-	6,208	17,314	24,493	-	4,460
218,757	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>654,146</u>	<u>6,208</u>	<u>17,314</u>	<u>24,493</u>	<u>-</u>	<u>4,460</u>
<u>\$ 658,381</u>	<u>\$ 6,208</u>	<u>\$ 20,997</u>	<u>\$ 24,493</u>	<u>\$ -</u>	<u>\$ 4,460</u>

**STATE OF NEW MEXICO**  
**City of Belen**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<u>Special Revenue</u>			
	<u>Lodger's Tax</u>	<u>Property Abatement</u>	<u>Judicial Fund</u>	<u>Martin Luther King</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 41,346	\$ 5,688	\$ -	\$ 856
Restricted cash	-	-	-	-
Gross receipt taxes receivable	-	-	-	-
Other receivables	5,739	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 47,085</u>	<u>\$ 5,688</u>	<u>\$ -</u>	<u>\$ 856</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,443	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Due to other funds	-	-	9,376	-
<b>Total liabilities</b>	<u>6,443</u>	<u>-</u>	<u>9,376</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable:				
Interfund Loans	-	-	-	-
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	5,688	-	-
Public works	-	-	-	-
Culture and recreation	40,642	-	-	856
Capital projects	-	-	-	-
Unassigned	-	-	(9,376)	-
<b>Total fund balance</b>	<u>40,642</u>	<u>5,688</u>	<u>(9,376)</u>	<u>856</u>
<b>Total liabilities and fund balance</b>	<u>\$ 47,085</u>	<u>\$ 5,688</u>	<u>\$ -</u>	<u>\$ 856</u>

See Independent Auditors' Report and Notes to Financial Statements



Special Revenue			Debt Service	Capital Projects	
Technology Infrastructure Fee	RSVP	Street Paving	2005 GRT Revenue Bonds	Alexander Airport	Multi-Purpose Park
\$ 120,925	\$ 37,311	\$ 221,567	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	6,407	27,434	-	-	47,829
-	-	-	-	-	-
<u>\$ 120,925</u>	<u>\$ 43,718</u>	<u>\$ 249,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,829</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,731	-	-	-	-
-	-	-	176,256	331,926	60,855
-	1,731	-	176,256	331,926	60,855
-	-	-	-	-	-
120,925	-	-	-	-	-
-	-	-	-	-	-
-	-	249,001	-	-	-
-	41,987	-	-	-	-
-	-	-	-	-	-
-	-	-	(176,256)	(331,926)	(13,026)
<u>120,925</u>	<u>41,987</u>	<u>249,001</u>	<u>(176,256)</u>	<u>(331,926)</u>	<u>(13,026)</u>
<u>\$ 120,925</u>	<u>\$ 43,718</u>	<u>\$ 249,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,829</u>

(This page is intentionally left blank)

**STATE OF NEW MEXICO**  
**City of Belen**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

Statement A-1  
Page 3 of 3

	<u>Capital Projects</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Camino Del Llano</u>	<u>Christopher Road</u>	<u>CDBG</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 78,000	\$ 804,436
Restricted cash	-	-	-	39,000
Gross receipt taxes receivable	-	-	-	249,463
Other receivables	-	-	-	87,409
Due from other funds	-	-	-	1,301,694
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,000</u>	<u>\$ 2,482,002</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	-	\$ -	\$ 14,361
Accrued salaries and benefits	-	-	-	1,731
Due to other funds	188,902	-	-	767,315
<b>Total liabilities</b>	<u>188,902</u>	<u>-</u>	<u>-</u>	<u>783,407</u>
<b>Fund balance</b>				
Nonspendable:				
Interfund Loans	-	-	-	1,301,694
Spendable:				
Restricted for:				
General government	-	-	-	120,925
Public safety	-	-	-	174,417
Public works	-	-	-	467,758
Culture and recreation	-	-	-	145,559
Capital projects	-	-	78,000	207,728
Unassigned	(188,902)	-	-	(719,486)
<b>Total fund balance</b>	<u>(188,902)</u>	<u>-</u>	<u>78,000</u>	<u>1,698,595</u>
<b>Total liabilities and fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,000</u>	<u>\$ 2,482,002</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**City of Belen**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue</u>			
	<u>Parks &amp; Recreation</u>	<u>Fire Protection</u>	<u>EMS Rescue</u>	<u>1/8 GRT Infrastructure</u>
<b>Revenues</b>				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ 481,452
Gas taxes	-	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	-	282,759	9,141	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
Charges for services	63,095	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<b>Total revenue</b>	<u>63,095</u>	<u>282,759</u>	<u>9,141</u>	<u>481,452</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	165,780	8,445	-
Public works	-	-	-	15,710
Culture and recreation	64,160	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	40,689	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>64,160</u>	<u>206,469</u>	<u>8,445</u>	<u>15,710</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,065)</u>	<u>76,290</u>	<u>696</u>	<u>465,742</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(51,355)	-	(124,297)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(51,355)</u>	<u>-</u>	<u>(124,297)</u>
Net change in fund balance	(1,065)	24,935	696	341,445
Fund balance - beginning of year	63,139	90,623	-	654,588
<b>Fund balance - end of year</b>	<u>\$ 62,074</u>	<u>\$ 115,558</u>	<u>\$ 696</u>	<u>\$ 996,033</u>

See Independent Auditors' Report and Notes to Financial Statements

**Special Revenue**

<u>1/2% GRT Infrastructure</u>	<u>Department of Justice</u>	<u>Jail</u>	<u>Evidence</u>	<u>Law Enforcement</u>	<u>Confiscated Funds</u>
962,769	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	30,200	-
-	-	-	-	-	-
-	12,884	-	-	-	-
-	-	-	-	-	-
-	-	61,034	6,135	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>962,769</u>	<u>12,884</u>	<u>61,034</u>	<u>6,135</u>	<u>30,200</u>	<u>-</u>
-	-	-	-	-	-
-	2,926	56,021	8,445	-	6,000
21,490	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7,678	-	18,554	30,200	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>21,490</u>	<u>10,604</u>	<u>56,021</u>	<u>26,999</u>	<u>30,200</u>	<u>6,000</u>
<u>941,279</u>	<u>2,280</u>	<u>5,013</u>	<u>(20,864)</u>	<u>-</u>	<u>(6,000)</u>
-	-	-	-	-	6,000
<u>(477,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(477,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
464,216	2,280	5,013	(20,864)	-	-
189,930	3,928	12,301	45,357	-	4,460
<u>\$ 654,146</u>	<u>\$ 6,208</u>	<u>\$ 17,314</u>	<u>\$ 24,493</u>	<u>\$ -</u>	<u>\$ 4,460</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, 2017**

	<u>Special Revenue</u>			
	<u>Lodger's Tax</u>	<u>Property Abatement</u>	<u>Judicial Fund</u>	<u>Martin Luther King</u>
<b>Revenues</b>				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	-
Lodger's taxes	54,574	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	1,703
<b>Total revenue</b>	<u>54,574</u>	<u>-</u>	<u>-</u>	<u>1,703</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	-	-	9,965	-
Public works	-	-	-	1,439
Culture and recreation	41,534	-	-	-
Health and welfare	-	-	-	-
Capital outlay	10,400	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>51,934</u>	<u>-</u>	<u>9,965</u>	<u>1,439</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,640</u>	<u>-</u>	<u>(9,965)</u>	<u>264</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,640	-	(9,965)	264
Fund balance - beginning of year	38,002	5,688	589	592
<b>Fund balance - end of year</b>	<u>\$ 40,642</u>	<u>\$ 5,688</u>	<u>\$ (9,376)</u>	<u>\$ 856</u>

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue			Debt Service	Capital Projects		
Technology Infrastructure Fee	RSVP	Street Paving	2005 GRT Revenue Bonds	Alexander Airport	Multi-Purpose Park	
\$ -	\$ -	\$ 158,754	\$ -	\$ -	-	
58,194	-	-	-	-	-	
-	-	-	-	-	-	
-	21,000	-	-	-	-	
-	-	-	-	35,862	-	
-	35,550	-	-	-	-	
-	-	-	-	61,618	-	
-	-	-	-	5,448	-	
-	-	-	-	-	-	
-	-	-	3,215	-	-	
-	1,047	-	-	-	-	
<u>58,194</u>	<u>57,597</u>	<u>158,754</u>	<u>3,215</u>	<u>102,928</u>	<u>-</u>	
18,204	-	-	1,134	-	-	
-	-	-	-	-	-	
-	-	54,162	-	-	-	
-	-	-	-	44,949	-	
-	90,294	-	-	-	-	
37,944	-	-	-	228,697	13,026	
-	-	-	840,000	-	-	
-	-	-	115,134	-	-	
<u>56,148</u>	<u>90,294</u>	<u>54,162</u>	<u>956,268</u>	<u>273,646</u>	<u>13,026</u>	
<u>2,046</u>	<u>(32,697)</u>	<u>104,592</u>	<u>(953,053)</u>	<u>(170,718)</u>	<u>(13,026)</u>	
-	32,436	-	108,374	43,536	-	
-	-	(100,000)	(28,000)	-	-	
-	32,436	(100,000)	80,374	43,536	-	
2,046	(261)	4,592	(872,679)	(127,182)	(13,026)	
<u>118,879</u>	<u>42,248</u>	<u>244,409</u>	<u>696,423</u>	<u>(204,744)</u>	<u>-</u>	
<u>\$ 120,925</u>	<u>\$ 41,987</u>	<u>\$ 249,001</u>	<u>\$ (176,256)</u>	<u>\$ (331,926)</u>	<u>\$ (13,026)</u>	

(This page is intentionally left blank)



## STATE OF NEW MEXICO

Statement A-2

## City of Belen

Page 3 of 3

**Combining Statement of Revenues, Expenses, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017**

	<u>Capital Projects</u>			<b>Total Nonmajor Governmental Funds</b>
	<u>Camino Del Llano</u>	<u>Christopher Road</u>	<u>CDBG</u>	
<b>Revenues</b>				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ 1,602,975
Gas taxes	-	-	-	58,194
Lodger's taxes	-	-	-	54,574
State operating grants	-	-	-	343,100
State capital grants	-	-	-	35,862
Federal operating grants	-	-	-	35,550
Federal capital grants	-	-	-	74,502
Charges for services	-	-	-	68,543
Licenses and fees	-	-	-	67,169
Interest income	-	-	-	3,215
Miscellaneous income	-	-	-	2,750
<b>Total revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,346,434</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	19,338
Public safety	-	-	-	257,582
Public works	-	-	-	92,801
Culture and recreation	-	-	-	150,643
Health and welfare	-	-	-	90,294
Capital outlay	12,928	-	-	400,116
Debt service:				
Principal	-	-	-	840,000
Interest	-	-	-	115,134
<b>Total expenditures</b>	<u>12,928</u>	<u>-</u>	<u>-</u>	<u>1,965,908</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(12,928)</u>	<u>-</u>	<u>-</u>	<u>380,526</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	166,788	78,000	435,134
Transfers out	-	(65,471)	-	(846,186)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>101,317</u>	<u>78,000</u>	<u>(411,052)</u>
Net change in fund balance	(12,928)	101,317	78,000	(30,526)
Fund balance - beginning of year	(175,974)	(101,317)	-	1,729,121
<b>Fund balance - end of year</b>	<u>\$ (188,902)</u>	<u>\$ -</u>	<u>\$ 78,000</u>	<u>\$ 1,698,595</u>

See Independent Auditors' Report and Notes to Financial Statements

(This page is intentionally left blank)

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Deposits and Investments**  
**June 30, 2017**

Schedule III

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
<b>Wells Fargo:</b>					
Operational	Checking	\$ 11,679,915	\$ 27,038	\$ 369,355	\$ 11,337,598
1/12 Reserve	Savings	1,075,819	-	-	1,075,819
<b>Total Wells Fargo Bank, N.A.</b>		<u>12,755,734</u>	<u>27,038</u>	<u>369,355</u>	<u>12,413,417</u>
<b>My Bank:</b>					
Meter Deposits	Checking	117,716	-	-	117,716
<b>Total My Bank</b>		<u>117,716</u>	<u>-</u>	<u>-</u>	<u>117,716</u>
<b>Bank of Albuquerque</b>					
Fire Truck Reserve	Checking	39,000	-	-	39,000
<b>Total Bank of Albuquerque</b>		<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
<b>New Mexico Finance Authority:</b>					
Belen Cash & Reserves	Debt Service	589,710	-	-	589,710
<b>Total New Mexico Finance Authority</b>		<u>589,710</u>	<u>-</u>	<u>-</u>	<u>589,710</u>
<b>Total</b>		<u>\$ 13,502,160</u>	<u>\$ 27,038</u>	<u>\$ 369,355</u>	<u>\$ 13,159,843</u>
Petty cash					600
<b>Total Deposits</b>					<u>\$ 13,160,443</u>

See Independent Auditors' Report

STATE OF NEW MEXICO

Schedule IV

City of Belen

Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2017

<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	6/1/2043	3138WTRR9	\$ 8,454
	FNMA FNMS	11/1/2025	31419KVB8	<u>6,310,821</u>
Total Wells Fargo				<u><u>6,319,275</u></u>

See Independent Auditors' Report

(This page is intentionally left blank)

## **COMPLIANCE SECTION**



Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

## INDEPENDENT AUDITORS' REPORT

Honorable Tim Keller  
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, 2017 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 15, 2017.

### 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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (FS 2009-001)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (FS 2009-004 and FS 2016-001).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as items (FS 2009-001, FS 2009-004, FS 2013-002 and FS 2014-003).



**City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 15, 2017

**STATE OF NEW MEXICO  
City of Belen  
Schedule of Findings and Responses  
June 30, 2017**

**SUMMARY OF AUDIT RESULTS**

***Financial Statements:***

- |  |                   |
|--|-------------------|
| 1. Type of auditors' report issued                     | <b>Unmodified</b> |
| 2. Internal control over financial reporting:          |                   |
| a. Material weakness identified?                       | <b>Yes</b>        |
| b. Significant deficiencies identified?                | <b>Yes</b>        |
| c. Noncompliance material to the financial statements? | <b>Yes</b>        |

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**Prior Year Audit Findings**

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**FS 2009-001- PERA Reporting and Contribution Remittances – Material Weakness – Other Noncompliance**

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

- During fiscal year 2017 the City submitted four untimely payments to PERA.
- From 2008 through 2016 the City had PERA reports that were not correctly completed and has not performed a reconciliation to correct the possible outstanding liability.
- The City did not take timely action to correct this finding in fiscal year 2017.

**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 Chapter 10, Article 11, and NMSA 1978.

**Effect:** The City is not in compliance with PERA reporting requirements. Further if PERA payments were underpaid in prior fiscal years the City and City employees could have unrecorded liabilities to PERA that is not properly disclosed and the liabilities could be materially misstated on the City's financial statements.

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

**Auditors' Recommendation:** We recommend that the City timely submit all reports to PERA and perform a reconciliation of PERA submittals for at least fiscal years 2008 through 2015 to understand the scope of the possible liability outstanding.

**Management Response:** The Payroll Clerk is currently reconciling the PERA reports and contribution amounts. The current Payroll Clerk has a full understanding of the reporting requirements. The City also intends to contract to have an independent review of PERA submittals to obtain a better understanding of the possible outstanding liability to PERA.

**Managements Progress:** The City submitted the correct amounts to PERA in fiscal year 2017.

**Responsible Parties:** Payroll Clerk

**Timeline:** Fiscal year 2018

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**FS 2009-004 - Lack of Budgetary Control, Expenditures in Excess of Budget and Budgeted Cash in Excess of Available Balance – Significant Deficiency – Other Noncompliance**

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

- We noted various differences between the City’s approved budgets that were submitted to the DFA and the City’s budget that was uploaded into the financial management system which is used for budgetary control in various funds.
- The General fund had differences between approved budgets and budgetary information in the financial management system for the original budget, and final budget of \$(11,998) and \$127,839 respectively.
- The City Exceeded budgetary expenditures in the following funds:

<b>Fund</b>	<b>Amount</b>
58th SOW Operations	\$ 16,508
GRT Revenue Bonds	\$ 25,165
1/8 GRT Infrastructure	\$ 710
1/2 GRT Infrastructure	\$ 2,400
Evidence	\$ 198
Martin Luther King	\$ 1,138
RSVP	\$ 4,617
Street Paving	\$ 1,774
2005 GRT Revenue Bonds	\$ 395,135
Solid Waste	\$ 138,522

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

<b>Fund</b>	<b>Amount</b>
Multi -Purpose Park Capital Project Fund	\$ 6,184
Jail	\$ 3,419
Alexander Airport	\$ 220,466
Camino Del Llano	\$ 188,999

Further, this was a prior year audit finding and the city did not take adequate action to correct the deficiency.

**Criteria:** All City funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, NMSA 1978. Per Section 6-6-11, NMSA 1978 (the Batemen Act), it is unlawful for any board of county commissioners, municipal governing body or any local school board, for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year, and any indebtedness for any current year which is not paid and cannot be paid, as above provided for, is void. In addition, Section 2.2.2.10. (O) (1), NMAC, states that the City’s cash balances budgeted to absorb budget deficits cannot exceed the actual cash balance available at the end of the prior year.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**FS 2009-004 - Lack of Budgetary Control, Expenditures in Excess of Budget and Budgeted Cash in Excess of Available Balance – Significant Deficiency – Other Noncompliance (continued)**

**Effect:** Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official. The effect of a budget with inadequate designated cash available to cover the excess of budgeted expenditures over budgeted revenue could result in the City incurring debt to pay for current year budgeted expenditures, which would be noncompliance with the Batemen Act. Further the City is not able to accurately monitor approved budgets due to the inaccuracy of the information inputted into the City's financial management system.

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

**Auditors' Recommendations:** We recommend all City funds, with the exception of agency funds, be budgeted and approved by the City Council. Once adopted, budgets must be monitored for compliance with state statute. In addition, we recommend the City's cash balances budgeted to absorb budget deficits do not exceed the actual cash balances available at the end of the prior year. Further we recommend the budgeted information inputted into the financial management system be reconciled to the approved budgets submitted to the DFA. We also recommend the finance department be provided with additional qualified staff to absorb the workload allocated to these individuals.

**Management Response:** The Finance Director will review the financial statements and submit the required budget adjustments to keep the budget compliant. The finance director will also perform a reconciliation of the approved DFA budgets and the information inputted into the financial management system. Further cash appropriations exceeded cash amounts due to incorrect audit entries and reimbursements entered at fiscal yearend.

**Managements Progress:** None

**Responsible Parties:** Finance Director

**Timeline:** Fiscal Year 2018

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

**Condition:** During testwork, we noted that the City's Cash Report to the Department of Finance and Administration would not tie to the City's general ledger cash by \$80,357. Upon review of the report, it appears that the difference is due to the beginning cash balance amounts going back several years in DFA reports. The City has also been using the bank statement balance to report cash to the DFA not the bank reconciled balances reported in the City's general ledger. Further, this was a prior year audit finding and the City did not take appropriate action to completely reconcile these differences in fiscal year 2017.

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

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**FS 2013-002 – Department of Finance and Administration Cash Report – Other Noncompliance Repeated/Modified (continued)**

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

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

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

**Management Response:** The Finance Director will continue work with the City's DFA Budget Analyst to get the cash balances corrected on the DFA report.

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

**Responsible Parties:** Finance Director

**Timeline:** Fiscal Year 2018

**FS 2014-003 – Compliance with the Anti-Donation Clause – In-Kind Services – Other Noncompliance**

**Condition:** During our audit, we noted that the City leased space of 6,600 square feet free of charge and provided all the utility services to the Food Pantry and the Art League. Further, the City had issues with violations of the anti-donation clause in the prior year audit report and the noncompliance was not corrected.

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

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

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

**Auditors' Recommendations:** We recommend that the City establish policies to charge for the use of City employees, services, equipment, and facilities, and apply those policies to all entities seeking to use City resources.

**Management Response:** The City Manager is requiring that all leases be charged as per the appraised value.

**Responsible Parties:** City Manager

**Managements Progress:** The City Manager has corrected the lease issue as of November 9, 2017.

**STATE OF NEW MEXICO**  
**City of Belen**  
**Schedule of Findings and Responses**  
**June 30, 2017**

**FS 2013-002 – Department of Finance and Administration Cash Report – Other Noncompliance Repeated/Modified (continued)**

**Timeline:** Fiscal Year 2018

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

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

We also noted the following deficiencies:

- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess fraud risks.
- During audit review and testing procedures performed, we noted the City lacked proper written policies and procedures at the entity wide level.
- The City did not take appropriate action to resolve this finding in fiscal year 2017.

**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 and does not have set processes in place to maximize the resources of the City.

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

**Auditors' Recommendations:** The City should create a comprehensive and written internal control structure over financial reporting that is documented and implemented.

**Management's Response:** The City Manager along with the Finance Department worked together to revise the current financial policy to detail procedures and outline internal controls.

**Managements Progress:** The City approved and implemented a detailed Financial Policy on October 16, 2017.

**Timeline:** Fiscal year 2018.



**STATE OF NEW MEXICO**  
**City of Belen**  
**Exit Conference**  
**June 30, 2017**

**Exit Conference**

An exit conference was held on November 15, 2017. In attendance were the following:

Representing the City of Belen:

Roseann Peralta	Finance Director
Elena Garcia	Finance Clerk
Rhianna Chavez	Finance Clerk
Leona Vigil	City Manager
Wayne Gallegos	City Councilor
David Carter	City Councilor

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.