

**STATE OF NEW MEXICO
CITY OF SOCORRO
AUDIT REPORT
JUNE 30, 2013**

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Function of the Entity	1
Official Roster	3
FINANCIAL STATEMENTS SECTION	
Independent Auditors' Report	7-9
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	10-11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet-Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Change in Fund Balances Budget (Non-GAAP Basis) and Actual on Budgetary Basis	
General Fund.....	21
Statement of Net Position-Proprietary Funds.....	23
Statement of Revenues, Expenses and Change in Fund Net Position- Proprietary Funds.....	25
Statement of Cash Flows-Proprietary Funds.....	27
Notes to the Financial Statements.....	28-52
OTHER SUPPLEMENTARY INFORMATION	
Non-Major Governmental Funds.....	54-55
Combining and Individual Fund Financial Statements:	
Combining Balance Sheet-Nonmajor Governmental Funds.....	56-59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds	60-63

**Statement of Revenues, Expenditures and Changes in Fund Balances-
Budget (Non-GAAP Basis) and Actual on Budgetary Basis:**

Fire Protection Fund	64
Recreation Fund.....	65
Lodgers Tax Fund.....	66
Lodgers Tax Promotional Fund	67
Emergency Medical Services Fund	68
Law Enforcement Protection Fund	69
Correctional Fees Fund.....	70
E-911 Fund	71
Sedillo Park Renovations Fund.....	72
Library Fund	73
Juvenile Justice Grant Fund.....	74
Airport Improvement Fund.....	75
Street Improvement Fund	76
Rodeo Arena and Convention Center	77
CDBG Cuba Road Phase III.....	78
Debt Service	79

**Statement of Revenues, Expenses and Change in Fund Net Position-
Budget (Non-GAAP Basis) and Actual on Budgetary Basis:**

Proprietary Funds.....	81
------------------------	----

Schedule of Revenues, Expenses and Change in Fund Net Position

Proprietary Funds- Departmental	82-83
--	-------

FEDERAL COMPLIANCE AND FINDINGS

Schedule of Expenditures of Federal Awards.....	85
---	----

Independent Auditors’ 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	86-87
---	-------

Independent Auditors’ Report on Compliance for each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	88-89
--	-------

Schedule of Findings and Questioned Costs	90-92
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Other Disclosures	93
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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2013**

FUNCTION OF THE ENTITY

The City of Socorro, New Mexico was incorporated in 1870 and operates under a Mayor Council form of government. Eight Councilors are elected at large for a four-year term of office. Non-partisan elections are held biannually for staggered terms of office. The Mayor is elected at large and serves as the Chairman of the Council.

The City provides traditional services such as public safety, public works, culture and recreation and other services, which are normal operations of cities. The City also provides water, sewer, solid waste and natural gas services.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2013**

OFFICIAL ROSTER

<u>Name</u>	<u>Title</u>
Ravi Bhasker	Mayor
Donald Monette	Mayor Pro-Tem
Peter Romero	Councilor
Toby Jaramillo	Councilor
Ernest Pargas Jr.	Councilor
Michael Olguin Jr.	Councilor
Mary Ann Chavez-Lopez	Councilor
Nick Fleming	Councilor
Gordon Hicks	Councilor
Patrick Salome, Jr	Clerk
Mable Gonzales	Finance Director
Frances Cases	Municipal Judge

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FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Socorro, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Socorro, New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 the standards applicable to financial audits contained in *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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 opinions.

Opinions

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 and the aggregate remaining fund information of the City of Socorro, New Mexico, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the City as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds 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 MD&A which is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule of expenditures of federal awards, as required by Office of Management and Budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of ependitures of federal awards 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Pattillo, Brown & Hill LLP

Pattillo, Brown and Hill, LLP
Albuquerque, New Mexico
November 14, 2013

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 534,693	\$ -	\$ 534,693
Investments	991,100	-	991,100
Receivables (net of allowances for uncollectibles)	617,460	1,244,551	1,862,011
Internal balances	296,073	(296,073)	-
Bond premium & loan fees	3,396	72,137	75,533
Inventory	15,500	74,842	90,342
Total current assets	<u>2,458,222</u>	<u>1,095,457</u>	<u>3,553,679</u>
Other assets:			
Real estate contract - land sale	187,977	235,000	422,977
Restricted cash and investments	<u>161,046</u>	<u>934,542</u>	<u>1,095,588</u>
Total other assets	<u>349,023</u>	<u>1,169,542</u>	<u>1,518,565</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	301,819	337,961	639,780
Construction in progress	64,152	58,586	122,738
Capital assets being depreciated	26,162,244	33,805,197	59,967,441
Less: accumulated depreciation	<u>(11,621,597)</u>	<u>(16,326,815)</u>	<u>(27,948,412)</u>
Total capital assets	<u>14,906,618</u>	<u>17,874,929</u>	<u>32,781,547</u>
Total noncurrent assets	<u>14,906,618</u>	<u>17,874,929</u>	<u>32,781,547</u>
Total assets	<u>17,713,863</u>	<u>20,139,928</u>	<u>37,853,791</u>

The notes to the financial statements are an integral part of this statement.

LIABILITIES	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 78,322	\$ 76,555	\$ 154,877
Accrued payroll expenses	24,804	-	24,804
Accrued interest payable	6,886	31,559	38,445
Capital leases payable - current	-	140,351	140,351
Current portion long term debt	<u>117,848</u>	<u>239,514</u>	<u>357,362</u>
Total current liabilities	<u>227,860</u>	<u>487,979</u>	<u>715,839</u>
Noncurrent liabilities:			
Real estate contract deferred gain	181,786	50,261	232,047
Meter deposits	-	77,382	77,382
Compensated absences	223,483	107,930	331,413
Landfill closure and post closing liability	-	758,689	758,689
Capital leases payable	-	423,272	423,272
Bonds and loans payable less current portion	<u>950,293</u>	<u>3,767,813</u>	<u>4,718,106</u>
Total noncurrent liabilities	<u>1,355,562</u>	<u>5,185,347</u>	<u>6,540,909</u>
 Total liabilities	 <u>1,583,422</u>	 <u>5,673,326</u>	 <u>7,256,748</u>
 NET POSITION			
Net investmet in capital assets	13,831,591	13,272,420	27,104,011
Restricted for:			
Debt service	219,872	934,542	1,154,414
Capital projects	155,167	-	155,167
Unrestricted	<u>1,923,811</u>	<u>259,640</u>	<u>2,183,451</u>
 Total net position	 <u>\$ 16,130,441</u>	 <u>\$ 14,466,602</u>	 <u>\$ 30,597,043</u>

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 1,863,893	\$ 668,895	\$ 442,250	\$ -
Judicial	180,057	165,253	-	-
Public safety	3,565,172	537,974	438,818	178,611
Public works	1,451,480	-	-	371,923
Culture and recreation	1,893,838	45,691	52,879	265,357
Interest and fees on long-term debt	<u>37,492</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>8,991,932</u>	<u>1,417,813</u>	<u>933,947</u>	<u>815,891</u>
Business-type activities:				
Natural gas	\$ 2,700,086	\$ 2,797,445	\$ -	\$ -
Water	2,100,524	1,616,921	-	850,644
Waste water	1,791,925	1,290,027	-	-
Solid waste	464,187	931,992	-	-
Landfill	1,261,972	308,997	-	-
Recycling	<u>100,177</u>	<u>24,126</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>8,418,871</u>	<u>6,969,508</u>	<u>-</u>	<u>850,644</u>
Total primary government	<u>\$ 17,410,803</u>	<u>\$ 8,387,321</u>	<u>\$ 933,947</u>	<u>\$ 1,666,535</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 State shared

 Sales

 Lodgers'

 Franchise

 Investment earnings

 Miscellaneous

Gain on disposition of assets

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position, beginning of year

Net position, ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(752,748)	\$ -	\$(752,748)
(14,804)	-	(14,804)
(2,409,769)	-	(2,409,769)
(1,079,557)	-	(1,079,557)
(1,529,911)	-	(1,529,911)
<u>(37,492)</u>	<u>-</u>	<u>(37,492)</u>
<u>(5,824,281)</u>	<u>-</u>	<u>(5,824,281)</u>
\$ -	\$ 97,359	\$ 97,359
-	367,041	367,041
-	(501,898)	(501,898)
-	467,805	467,805
-	(952,975)	(952,975)
<u>-</u>	<u>(76,051)</u>	<u>(76,051)</u>
<u>-</u>	<u>(598,719)</u>	<u>(598,719)</u>
<u>(5,824,281)</u>	<u>(598,719)</u>	<u>(6,423,000)</u>
540,230	-	540,230
269,116	92,365	361,481
3,978,278	-	3,978,278
364,412	-	364,412
193,079	-	193,079
2,000	11,907	13,907
401,812	-	401,812
20,814	-	20,814
66,551	(66,551)	-
<u>5,836,292</u>	<u>37,721</u>	<u>5,874,013</u>
<u>12,011</u>	<u>(560,998)</u>	<u>(548,987)</u>
<u>16,118,430</u>	<u>15,027,600</u>	<u>31,146,030</u>
<u>\$ 16,130,441</u>	<u>\$ 14,466,602</u>	<u>\$ 30,597,043</u>

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**STATE OF NEW MEXICO
CITY OF SOCORRO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

ASSETS	General	Other Governmental Funds	Total Governmental Funds
Cash	\$ 194,916	\$ 339,777	\$ 534,693
Cash - restricted	-	161,046	161,046
Investments	493,351	497,749	991,100
Accounts receivable (net of allowance)	536,316	81,144	617,460
Inventory	15,500	-	15,500
Real estate contract - land sale	187,977	-	187,977
Due from other funds	343,073	-	343,073
Total assets	\$ 1,771,133	\$ 1,079,716	\$ 2,850,849
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 67,293	\$ 11,029	\$ 78,322
Accrued payroll expenses	24,804	-	24,804
Deferred revenue - land sale	187,977	-	187,977
Due to other funds	47,000	-	47,000
Total liabilities	327,074	11,029	338,103
 Fund balances:			
Non-spendable:			
Inventory and real estate contract	203,477	-	203,477
Restricted for:			
Debt service	-	219,872	219,872
Capital projects	-	155,167	155,167
Special revenue	-	693,648	693,648
Unassigned	1,240,582	-	1,240,582
Total fund balances	1,444,059	1,068,687	2,512,746
 Total liabilities and fund balances	 \$ 1,771,133	 \$ 1,079,716	

Long term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.

(1,288,923)

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

14,906,618

The notes to the financial statements are an integral part of this statement.

\$ 16,130,441

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Gross receipts tax	\$ 2,051,153	\$ 117,327	\$ 2,168,480
Property taxes	540,230	-	540,230
Lodgers' tax	-	364,412	364,412
Other state shared taxes	269,116	-	269,116
Franchise tax	193,079	-	193,079
Licenses and permits	43,198	-	43,198
Intergovernmental:			
Federal grants	229,005	385,716	614,721
State grants	212,245	922,872	1,135,117
Charges for services	1,206,869	45,691	1,252,560
Fines and forfeitures	125,895	39,358	165,253
State shared gross receipts tax	1,809,798	-	1,809,798
Other	166,116	192,498	358,614
Investment	1,541	459	2,000
Total revenues	<u>6,848,245</u>	<u>2,068,333</u>	<u>8,916,578</u>
EXPENDITURES			
Current operations:			
General government	1,509,032	166,534	1,675,566
Judicial	160,760	-	160,760
Public safety	2,768,460	404,845	3,173,305
Public works	832,300	-	832,300
Culture and recreation	891,800	747,354	1,639,154
Debt service:			
Principal	-	114,830	114,830
Interest	-	35,278	35,278
Fees and other	-	2,331	2,331
Capital outlay:	<u>239,852</u>	<u>1,035,579</u>	<u>1,275,431</u>
Total expenditures	<u>6,402,204</u>	<u>2,506,751</u>	<u>8,908,955</u>
Excess (deficiency) of revenues over expenditures	446,041	(438,418)	7,623
Other financing sources (uses):			
Gain on disposition of assets	21,523	-	21,523
Transfers in	526,000	821,445	1,347,445
Transfers out	(891,432)	(389,462)	(1,280,894)
Total other financing sources (uses)	<u>(343,909)</u>	<u>431,983</u>	<u>88,074</u>
Net change in fund balances	<u>102,132</u>	<u>(6,435)</u>	<u>95,697</u>
Fund balances, beginning of year	<u>1,341,927</u>	<u>1,075,122</u>	<u>2,417,049</u>
Fund balances, end of year	<u>\$ 1,444,059</u>	<u>\$ 1,068,687</u>	<u>\$ 2,512,746</u>

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds	\$ 95,697
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and the gain on the disposition of assets.	(184,668)
The issuance of long-term debt 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	114,830
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(13,848)</u>
Change in net position of governmental activities	<u>\$ 12,011</u>

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,905,000	\$ 1,905,000	\$ 2,036,918	\$ 131,918
Property taxes	538,380	538,380	536,389	(1,991)
Other state shared taxes	271,000	271,000	269,116	(1,884)
Franchise tax	225,000	225,000	216,654	(8,346)
Licenses and permits	38,300	38,300	43,198	4,898
Intergovernmental:				
Federal grants	233,548	233,548	229,005	(4,543)
State grants	197,916	207,538	212,245	4,707
Charges for services	1,370,500	1,370,500	1,202,933	(167,567)
Fines and forfeitures	138,445	138,415	125,895	(12,520)
State shared gross receipts tax	1,650,000	1,650,000	1,809,798	159,798
Other	163,975	163,975	166,116	2,141
Investment	15,000	15,000	1,541	(13,459)
	Total revenues	6,747,064	6,849,808	93,152
EXPENDITURES				
Current operations:				
General government	1,579,818	1,586,018	1,520,753	65,265
Judicial	169,474	169,474	160,760	8,714
Public safety	2,809,753	2,853,153	2,768,460	84,693
Public works	836,978	847,278	832,300	14,978
Culture and recreation	861,404	982,329	891,800	90,529
Capital Outlay	155,860	220,860	239,852	(18,992)
	Total expenditures	6,413,287	6,413,925	245,187
Excess (deficiency) of revenues over expenditures	333,777	97,544	435,883	338,339
OTHER FINANCING SOURCES (USES)				
Gain on disposition of assets	-	-	21,523	21,523
Transfers in	457,589	533,089	526,000	(7,089)
Transfers out	(771,604)	(1,259,087)	(891,432)	367,655
	Total other financing sources (uses)	(314,015)	(343,909)	382,089
Net change in fund balances	\$ 19,762	\$(628,454)	\$ 91,974	\$ 720,428
Beginning cash & investment balance	\$ 694,906	\$ 694,906		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 91,974	
Change in receivables			(1,563)	
Change in payables			11,721	
Net change in fund balances GAAP basis			\$ 102,132	

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

ASSETS

Current assets:

Cash and cash equivalents	\$ -
Accounts receivable (net of allowance for uncollectible)	1,244,551
Due from other funds	62,913
Inventory	74,842
Total current assets	1,382,306

Restricted assets:

Customer meter deposits	77,382
Debt payments and reserves	493,535
Landfill improvements & closures and solid waste issues	348,575
Water rights	15,050
Total restricted assets	934,542

Other assets:

Real estate contract - land sale	235,000
Deferred loan & bond issue fees	72,137
Total other assets	307,137

Plant in service:

Non-depreciable assets	
Land	337,961
Construction in progress	58,586
Depreciable assets	
Natural gas system	2,612,561
Water and sewer system	27,246,932
Solid waste equipment	3,945,704
Less accumulated depreciation	(16,326,815)
Total property, plant and equipment	17,874,929
Total Assets	20,498,914

LIABILITIES

Current Liabilities:

Accounts payable	76,555
Accrued interest payable	31,559
Due to other funds	358,986
Current portion capital lease	140,351
Current portion long-term debt	239,514
Total current liabilities	846,965

Long term liabilities:

Real estate contract deferred gain	50,261
Utility meter deposits	77,382
Compensated absences	107,930
Landfill closure and post closing liability	758,689
Capital lease payable	423,272
Bonds and loans payable less current portion	3,767,813
Total long-term liabilities	5,185,347
Total Liabilities	6,032,312

Net Position

Net investment in capital assets	13,272,420
Restricted for debt service	934,542
Restricted for construction	-
Unrestricted	259,640
Total Net Position	\$ 14,466,602

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Total
Operating Revenues:	
Charges for services	\$ 6,890,783
Connection charges	60,394
Other revenue	18,331
Total operating revenues	6,969,508
 Operating Expenses:	
Natural gas purchases	1,141,179
Salaries	1,753,315
Benefits	626,832
Other operating expense	3,168,065
Depreciation	1,346,382
Payment in lieu of taxes	262,558
Total operating expenses	8,298,331
 Operating income (loss)	(1,328,823)
 Non-operating income (deductions):	
Taxes	92,365
Interest income	11,907
Interest expense	(120,540)
Transfers in (out) from other funds	(66,551)
Federal grants	850,644
Total non-operating income (deductions)	767,825
 Change in net position	(560,998)
 Net position, beginning of year	15,027,600
 Net position, end of year	\$ 14,466,602

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Cash flows from operating activities	
Cash received from customers	\$ 7,477,056
Cash payments to employees for services	(2,372,782)
Cash payments to suppliers for goods and services	<u>(5,029,779)</u>
Net cash provided by operating activities	<u>74,495</u>
Cash flows from noncapital financing activities	
Net transfers and due to other funds	25,994
Taxes received	<u>92,365</u>
Net cash provided by capital and related activities	<u>118,359</u>
Cash flows from investing activities	
Interest income	<u>11,907</u>
Net cash used by capital and related activities	<u>11,907</u>
Cash flows from capital investing activities	
Debt proceeds	183,315
Acquisition of capital assets	(2,101,870)
Capital leases	452,313
Capital grants	850,644
Principal paid on debt	(215,143)
Interest paid on debt	<u>(104,475)</u>
Net cash used by capital financing activities	<u>(935,216)</u>
Net decrease in cash and cash equivalents	(730,455)
Cash and equivalents beginning of year	<u>1,664,997</u>
Cash and equivalents end of year	<u>\$ 934,542</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$(1,328,823)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	1,346,382
Disposition of capital assets	184,738
Decrease (increase) in customer receivable	522,028
Decrease (increase) in receivable sale of capital asset	(235,000)
Decrease (increase) in inventory	6,209
Decrease (increase) in deferred loan fees	(11,910)
Increase (decrease) in accounts payable	(477,244)
Increase (decrease) in deferred gain on rec	50,261
Increase (decrease) in customer deposits	(14,480)
Increase (decrease) in compensated absences	7,365
Increase (decrease) in liability for landfill closure	<u>24,969</u>
Net cash provided by operating activities	<u>\$ 74,495</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Socorro incorporated in 1870 under the laws of the State of New Mexico. The City operates under a Mayor - Council form of government and provides services as authorized by its charter: public safety, highways and streets, sanitation, health and welfare, culture and recreation, planning and zoning, and general administrative services.

A. Reporting Entity

This summary of significant accounting policies of the City of Socorro are presented to assist in the understanding of the City of Socorro's financial statements. The financial statements and notes are the representation of the City of Socorro's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP).

The basic (but not the only) criteria 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to 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. Based upon the application of these criteria, the City has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonfiduciary 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 revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and proprietary funds. 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 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 revenue in the year for which they are levied. Sales, franchise, lodgers', gas, cigarette and other similar taxes are recognized when the underlying exchange transaction takes place. 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 revenue to be available if 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, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Socorro County, the collecting agent for the City property tax, is unable to report the amount of delinquent tax currently due to the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

(continued)

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The **Joint Enterprise Fund** is used to account for the activities of the City's natural gas, water, wastewater, solid waste, landfill and recycling operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position and Fund Balance

Cash Equivalents and Investments

Cash and investments include amounts in demand deposits, certificates of deposit and investments. All amounts included in pooled cash and investments with an original maturity of 90 days or less are considered to be cash equivalents for the purposes of the statement of cash flows. Investments are stated at fair market value.

Receivables

Accounts receivable of the enterprise fund represents the amounts due from customer utility accounts. Customers are billed jointly for charges of gas, water, wastewater, and solid waste disposal services. The governmental funds report taxes and other fees collected at the City, County and State level as receivables.

Supply Inventories

The cost of inventory items in the joint enterprise fund, consisting primarily of parts and supplies, are recorded at last cost. Expenditures are recorded as the inventory items are consumed.

Restricted Assets

Certain resources of the governmental and enterprise funds are set aside for revenue bond and note repayment and replacement reserves and are classified as restricted assets on the balance sheet because the use of these monies is limited by applicable bond covenants and loan documents. The City also sets aside the environmental gross receipts tax collection and a certain portion of refuse collection fees for purchase of future water rights as may be needed by the City. In addition, customers' meter deposit monies are classified as restricted assets.

Real estate contract – land sale

For the government-wide financial statements, the City recognizes income on real estate sales by recording the entire gross profit on sales that meet the requirements for the accrual method. Transactions that do not meet the requirements for the accrual method are recorded using the deposit method or installment method until the requirements for the accrual method are met. Under the deposit method, cash received is recorded as a deposit. Under the installment method, the City records the entire contract price and the related costs at the time the transaction is recognized as a sale, but the gross profit is deferred and recognized as payments are received on the related contract receivable. In the financial statements for the governmental funds, the City recognizes income from the sale of real estate when the principal on mortgage contracts are collected. At the time of the sale, the principal on the real estate contracts are recorded as deferred revenue.

Capital Assets

Capital assets, which include property, plant, equipment, improvements, and water and sewer system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has chosen the prospective reporting of general infrastructures assets. The costs of library books at conversion were determined to be fully depreciated. Current year purchases of library books do not warrant capitalization.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the asset constructed. During the year the City did not capitalize any interest costs.

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.

Property, improvements, equipment, and water and sewer system are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Data Processing Equipment	3
Software	5
Office Equipment	5
Motor Vehicles	5
Office Furniture	10
Non Office Equipment and Ambluance	10
Fire Truck, Facility Improvements	20
Buildings	20 - 40

Compensated Absences

The City's employees earn vacation leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave accrues at the rate of eight hours per month. Employees who have accumulated sick leave in excess of 600 hours may convert to pay (not to exceed 500 hours) the amount in excess at a rate of two hours of sick leave to one hour of cash payment. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantor, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City council the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

E. Proprietary Activity Accounting and Financial Reporting

The City currently has a policy to apply Governmental Accounting Standards Board (GASB) pronouncements and the Financial Accounting Standards Board (FASB) Statements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements to all proprietary activities.

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.” The details are as follows:

Bonds and loans payable current	\$	117,848
Bonds and loans payable		950,293
Accrued interest payable		6,886
Loan fees	(	3,396)
Difference deferred gain - land sale	(	6,191)
Compensated absences		<u>223,483</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u>1,288,923</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays 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.” The details of this difference are as follows:

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

(continued)

Capital outlay	\$ 1,275,431
Depreciation expense	(1,459,390)
Difference gain on sale of asset	<u>(709)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (184,668)</u>

Another element of that reconciliation states, “ the issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.” The details of this difference as follows:

Bond and loan payable	<u>\$ 114,830</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 114,830</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (13,965)
Accrued interest	533
Amortization of loan fees	<u>(416)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (13,848)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Clerk-Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year’s history. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (continued)

2. The City Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, the City Council and New Mexico Department of Finance, Division of Local Governments must approve any revisions that alter the total expenditures of any funds. The original budget that was adopted in July was amended during the fiscal year in a legally permissible manner.
3. Formal budgetary integration is employed as a management control device during the year for each fund.
4. Encumbrances are not reported in the budgets or financial statements.
5. The expenditures or expenses may not legally exceed appropriations for each budget, at the fund level. Appropriations lapse at year end.
6. Budgets for the funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for the funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

Cash and Investments

The City can invest in; bonds or negotiable securities of the United States, the state of other governments; and other securities, contracts or obligations that are backed by the full faith and credit of the United States government. If the City is unable to invest with the bank at the rate of interest set forth by the State of New Mexico (which is no less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit) then the City may invest with the New Mexico State Treasurer's short term investment pool.

At June 30, 2013, the City had cash and cash equivalents on deposit with local financial institutions, consisting of checking accounts and certificates of deposits that are carried at cost, which also have values approximating market value. The City also had funds held by the New Mexico Finance Authority in bank funds secured by US Treasury Funds. Investments are held at Wells Fargo Brokerage Services secured by the United States government. Following is a schedule as of June 30, 2013, of the cash and cash equivalents and collateral pledged to secure the public funds on deposit. All funds are held in the name of the City in financial institutions that have exceeded the minimum collateral requirements. All financial institutions have pledged collateral with securities held by their trust department or agent in the financial institutions name.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

	Balance Per Bank 6-30-13	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6-30-13
First State Bank of Socorro:					
Checking Account Operating	\$ 552,804	\$ 24,467	\$ 618,413	\$ (407)	\$ (41,549)
Checking Account Payroll	55,843	-	54,184	-	1,659
Investment Account	881,611	-	-	-	881,611
Checking Account E-Pay	44,176	3,747	-	-	47,923
Checking CDBG Drainage Improvement	43,170		18,731		24,439
Bank of America :					
Checking Account Operating	47,583	-	-	-	47,583
Total Cash in Banks	<u>\$ 1,625,187</u>	<u>\$ 28,214</u>	<u>\$ 691,328</u>	<u>\$ (407)</u>	961,666
Funds Held by the New Mexico Finance Authority:					
State Treasurers Office					304,240
Wells Fargo Brokerage Services					1,354,925
Plus Cash on Hand					<u>550</u>
Total Cash and Investments Per Books					<u>\$ 2,621,381</u>
As Reported in Financial Statements:					
Investments: Unrestricted					\$ 991,100
Restricted					363,825
Cash: Unrestricted					534,693
Restricted					<u>731,763</u>
					<u>\$ 2,621,381</u>

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

	<u>First State Bank of Socorro</u>	<u>Bank of America</u>	<u>Total</u>
Amount on Deposit in Bank	\$ 1,577,604	\$ 47,574	\$ 1,625,178
Less FDIC Coverage	<u>(250,000)</u>	<u>(47,574)</u>	<u>(297,574)</u>
Uninsured Public Funds	<u>1,327,604</u>	<u>-</u>	<u>1,327,604</u>
Collateral pledged :			
	<u>STATED AT</u>		
Safekeeping agent, First State Bank, Socorro, NM			
US Treasury Notes CUSIP #912810DZ8	FMV 1,020,468	-	1,020,468
FFCB Non CBL Cuspid 31331VKU9	FMV <u>520,741</u>	<u>-</u>	<u>520,741</u>
	<u>1,541,209</u>	<u>-</u>	<u>1,541,209</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2013 \$1,327,604 of the City's bank balance of \$1,625,178 was exposed to custodial credit risk as follows:

	<u>First State Bank</u>	<u>Bank of America</u>
Uninsured and uncollateralized	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>1,327,604</u>	<u>-</u>
Total	<u>\$ 1,327,604</u>	<u>\$ -</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

There are nine cash accounts managed by the New Mexico Finance Authority (NMFA), on deposit with the State Treasurer’s office, in NMFA’s name and are held for the benefit of the City. These accounts expose the City to custodial credit risk of \$304,240.

<u>NMFA</u>	
NMFA (Landfill) Reserves	\$ 77,780
NMFA (Road) Reserves	8,483
NMFA (Infrastructure) Reserves	95,249
NMFA (Landfill) Reserves	26,254
NMFA New Landfill Cell	21,272
NMFA (Road) Intercept	9,058
NMFA (Infrastructure) Intercept	48,257
NMFA (Landfill) Intercept	17,882
NMFA Fire Station	<u>5</u>
Total	<u>\$ 304,240</u>

The City invests idle cash under the guidelines of the State of New Mexico Statute 6-10-11 which authorizes investments in the following instruments:

- 1) Bonds or negotiable securities of the United States, the state or a county, municipality or school district that has a taxable valuation or real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- 2) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States, the federal home loan mortgage association, the federal national mortgage association, the federal farm credit bank or the student loan marketing association or are backed by the full faith and credit of the United States government.

As of June 30, 2013 the City had the following investments held at Wells Fargo Brokerage Services:

	<u>Fair Value</u>	<u>Current</u>
Wells Fargo Adv. Government MMF	<u>\$ 1,354,925</u>	<u>\$ 1,354,925</u>

Custodial Credit Risk – Investments

In accordance with GASB 40, the City’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the counterparty. All of the City’s investments are purchased through Wells Fargo Brokerage Services. Wells Fargo & Company holds all U.S. depository – eligible securities with the federally regulated Depository Trust Company (DTC) or through the Federal Reserve Bank System in Wells Fargo’s name. The Advanced Government Money Market Fund investment of the City meet the above criteria and the cost subject to custodial credit risk is \$1,354,925. The City does not have a formal investment policy to limit this risk.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

Interest Rate Risk – Investments

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments

As noted above the City follows the guidelines provided by the State of New Mexico for its investments. The City’s investments in Government Money Market were rated AAA by Moody’s Investor Services and AAAM by Standard & Poors.

Concentration of Credit Risk – Investments

The City places no limit on the amount the City may invest in any one issuer. 100% of the City’s investments are in Government Money Market.

Investments as Stated in Report:

General Fund	\$ 493,351
Debt Service	58,826
Special Revenue Funds	438,923
Proprietary Funds Restricted	<u>363,825</u>
Total	<u>\$ 1,354,925</u>

4. DETAILED NOTES ON ALL FUNDS

Receivables

Receivables as of year-end for the City’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			<u>Total</u>
	<u>General</u>	<u>Non- major</u>	<u>Joint Enterprise Fund</u>	
Receivables:				
Customer Accounts	\$ 430,026	\$ -	\$ 1,250,065	\$ 1,680,091
Property Taxes	13,822	-	-	13,822
Franchise Taxes	25,223	-	-	25,223
Gross Receipts Taxes	317,508	-	4,341	321,849
Gas Taxes	15,326	-	-	15,326
Lodgers' Tax	-	30,663	-	30,663
Motor Vehicle Fees	3,515	-	-	3,515
Other Governments	<u>22,912</u>	<u>50,481</u>	<u>115,419</u>	<u>188,812</u>
Gross receivables	828,332	81,144	1,369,825	2,279,301
Less: allowance for uncollectibles	<u>292,016</u>	<u>-</u>	<u>125,274</u>	<u>417,290</u>
Net total receivables	<u>\$ 536,316</u>	<u>\$ 81,144</u>	<u>\$ 1,244,551</u>	<u>\$ 1,862,011</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Adjustments/ Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 308,719	\$ -	\$ (6,900)	\$ 301,819
Construction in progress	197,888	64,152	(197,888)	64,152
Total capital assets not being depreciated	<u>506,607</u>	<u>64,152</u>	<u>(204,788)</u>	<u>365,971</u>
Capital assets, being depreciated:				
Buildings and improvements	9,202,490	213,472	197,888	9,613,850
Equipment and vehicles	6,632,694	239,851	(3,079)	6,869,466
Infrastructure	8,920,972	757,956	-	9,678,928
Total capital assets being depreciated	<u>24,756,156</u>	<u>1,211,279</u>	<u>194,809</u>	<u>26,162,244</u>
Less accumulated depreciation:				
Buildings and improvements	3,903,622	406,095	-	4,309,717
Equipment and vehicles	4,246,751	469,603	(3,079)	4,713,275
Infrastructure	2,014,913	583,692	-	2,598,605
Total accumulated depreciation	<u>10,165,286</u>	<u>1,459,390</u>	<u>(3,079)</u>	<u>11,621,597</u>
Total capital assets being depreciated, net	<u>14,590,870</u>	<u>(248,111)</u>	<u>197,888</u>	<u>14,540,647</u>
Governmental activities capital assets, net	<u>\$ 15,097,477</u>	<u>\$ (183,959)</u>	<u>\$ (6,900)</u>	<u>\$ 14,906,618</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 522,700	\$ -	\$ (184,739)	\$ 337,961
Construction in progress	3,341,405	58,586	(3,341,405)	58,586
Total capital assets not being depreciated	<u>3,864,105</u>	<u>58,586</u>	<u>(3,526,144)</u>	<u>396,547</u>
Capital assets, being depreciated:				
Plant and equipment	28,420,507	2,043,285	3,341,405	33,805,197
Total capital assets being depreciated	<u>28,420,507</u>	<u>2,043,285</u>	<u>3,341,405</u>	<u>33,805,197</u>
Less accumulated depreciation:				
Plant and equipment	14,980,433	1,346,382	-	16,326,815
Total accumulated depreciation	<u>14,980,433</u>	<u>1,346,382</u>	<u>-</u>	<u>16,326,815</u>
Total capital assets being depreciated, net	<u>13,440,074</u>	<u>696,903</u>	<u>3,341,405</u>	<u>17,478,382</u>
Business-type activities capital assets, net	<u>\$ 17,304,179</u>	<u>\$ 755,489</u>	<u>\$(184,739)</u>	<u>\$ 17,874,929</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
General government	\$	174,362
Judicial		19,297
Public safety		391,867
Public works		619,180
Culture and recreation		<u>254,684</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,459,390</u>
Business-type Activities:		
Natural gas	\$	65,563
Water		228,088
Waste water		655,868
Solid waste		56,763
Landfill		<u>340,100</u>
Total Depreciation Expense - Business-type Activities	\$	<u>1,346,382</u>

Interfund Receivables, Payables and Transfers

Payment in Lieu of Taxes:

Payments made by the Enterprise Fund to the General Fund in lieu of property and franchise taxes are recorded as an operating expense and revenue in the respective funds. The charges are based on similar tax rates charged to private entities within the City.

Due to/from other funds:

A loan was made to the General Fund from the Joint Enterprise Fund for the purpose of purchasing capital assets. The loan will be repaid at \$5,000 per year. The balance on June 30, 2013 is \$47,000.

The General Fund received insurance proceeds of \$203,528, in prior years which were deposited into the Joint Enterprise Fund. In the current year the Joint Enterprise Fund borrowed \$92,545 for the purpose of purchasing capital assets. Total due to the General Fund from the Joint Enterprise Fund is \$343,073.

Operating Transfers:

Legally authorized transfers between funds, other than those described above, are recorded as other financing sources and uses in the respective funds.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers (continued)

Interfund transfers:

	Transfers out			
	<u>General</u>	<u>Non Major</u>	<u>Joint Enterprise</u>	<u>Total</u>
<u>Transfers in:</u>				
General	\$ -	\$ 389,462	\$ 65,000	\$ 454,462
Nonmajor	<u>891,432</u>	<u>-</u>	<u>1,551</u>	<u>892,983</u>
Total transfers out	891,432	389,462	66,551	1,347,445
Less transfers in	<u>(526,000)</u>	<u>(821,445)</u>	<u>-</u>	<u>(1,347,445)</u>
	<u>\$ 365,432</u>	<u>\$ (431,983)</u>	<u>\$ 66,551</u>	<u>\$ -</u>

SHORT TERM DEBT:

The City does not have any short-term debt.

LONG TERM DEBT:

NMFA Loans:

High School Road/Michigan Avenue Construction

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for street construction on High School Road/Michigan Avenue. The loan was finalized on September 27, 2002, with the City borrowing \$308,461.

The note payable bears interest at 3.554%, which includes the NMFA administrative expense fee of 0.25%. Principal payments on the loan are due May 1st and November 1st. The loan matures on May 1, 2022.

Revenues pledged for payment of this loan are the first two increments of the Municipal Infrastructure Gross Receipts Tax pursuant to section 7-1-6.15 and 7-19D-11, and City Ordinance No. 01-09-17, adopted November 5, 2001.

Infrastructure Projects

On March 15, 2006 the City entered into a loan agreement with the New Mexico Finance Authority for the completion of infrastructure projects in the amount of \$1,094,999. The note payable bears interest at 3.387%, which includes the NMFA administrative fee of 0.25%. Principal payments are due May 1st and November 1st. The loan matures on May 1, 2021. Revenue pledged for payment of this loan are from the State-Shared Gross Receipts Tax to the City made monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6.4, NMSA 1978, and City Ordinance No. 06-02-06A, adopted on February 6, 2006.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

NMFA Loans: (continued)

Fire Station Renovation Project

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the renovation of Fire Station #3 located within the governmental unit. The loan was finalized on September 3, 2010, with the City borrowing \$309,575. The note payable bears interest at 2.392%, with principal payments due annually in May and semi-annual interest payments due in November & May. The payment of the principal and interest due under the loan agreement will be paid solely from the intercept agreement providing for fire protection fund revenues distributed by the State Treasurer to the City, to be redirected to the New Mexico Finance Authority. The loan matures May 1, 2021.

Landfill Scale House

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the purchase of a landfill scale house with associated land improvements. The loan was finalized on July 26, 2002, with the City borrowing \$526,185.

The note bears interest of 4.248%, which includes the NMFA administrative expense fee of 0.25%. Principal payments on the loan are due on May 1st, and interest payments are due on May 1st and November 1st. The loan matures May 1, 2022.

Revenues pledged for payment of this loan are the Municipal Environmental Services Gross Receipts Tax pursuant to section 7-19D-10 and 7-1-6.15, and City resolution No. 02-06-17-1 adopted on June 17, 2002.

Landfill Improvements

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for a new landfill cell. The loan was finalized on May 15, 2009, with the City borrowing \$1,093,740. The loan has a blended rate of 3.588%. Principal and interest payments on the loan are due on May 1st and November 1st. The loan matures May 1, 2029.

Wastewater Treatment Plant

The City entered into a loan agreement with the New Mexico Health and Environment Department, Environmental Improvement Division, to borrow funds for construction of the wastewater treatment plant. This loan was finalized on April 29, 1998, with the City borrowing \$2,133,619 plus accrued interest of \$187,296 for a total loan balance of \$2,320,915.

On May 11, 2001, the City refinanced the loan with the New Mexico Health and Environment Department, Environmental Improvement Division. The new note payable bears interest at 2% per annum, with seventeen annual payments, beginning April 30, 2002. The City paid a refinance fee of \$42,912. The refinancing fee is classified as a deferred loan fee on the balance sheet and is being amortized over the life of the loan. The obligation is payable solely from the net revenues of the system.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Wastewater Treatment Plant Improvements

The City entered into a loan agreement with the New Mexico Environment Department for the purpose of improving the wastewater facilities of the City. The loan was finalized in December 19, 2009 with the City borrowing \$75,075. The loan bears no interest and principal payments of \$3,754 are due annually in December. The loan matures in December 2029.

Wastewater Treatment Plant Improvements

The City secured an interim construction loan with CoBank on November 3, 2011 for arsenic wastewater improvements. The multiple advance construction loan of \$1,230,000 is available for up to 24 months at which time permanent financing will be provided by U.S. Department of Agriculture. The City is making monthly interest payments based upon a weekly quoted variable rate option. Interest paid on the interim loan for the year ended June 30, 2013 was \$20,750. On January 18, 2013 this loan was paid in full with the issuance of Revenue Bond Series 2013A Joint Utility System. The Revenue Bond was purchased by U.S. Department of Agriculture.

Drinking Water Replacement of Meter Readers

The City entered into a loan agreement with the New Mexico Environment Department for the purpose of replacing manual-read meters with a drive-by/walk-by automated meter reading system. The loan was finalized on May 28, 2013 with the City borrowing \$183,315. The loan bears interest at .25% and payments of \$18,584 are due annually in June. The loan matures in May 2024.

Revenue Bonds

The City issued revenue bonds for the business-type activities where the City pledges income derived from the operation of the municipal Joint Water and Sewer System. Revenue bonds outstanding at year end for the business-type activities are as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
2010 Joint Utility System	\$ 132,000	2/19/2050	2.625%	\$ 126,200
2011A Joint Utility System	515,000	8/4/2051	2.500%	507,000
2013A Joint Utility System	1,230,000	1/18/2053	2.500%	1,230,000
Improvement Revenue Bonds - total				<u>\$ 1,863,200</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Lease Purchase-Payable

In May of 2003 the City of Socorro entered into a lease purchase agreement for a Caterpillar Motor Grader. The lease agreement calls for monthly payments of \$2,543. In October of 2007 the City traded this equipment for a new Caterpillar Dozer. The new lease calls for monthly payments of \$4,061 and will be paid in full in fiscal year 2014. The City has capitalized \$316,120 for this lease.

On October 13, 2012 the City entered into a lease purchase agreement for a Caterpillar Landfill Compactor. The lease agreement calls for monthly payments of \$7,307 and will be paid in full in fiscal year 2020. The City has capitalized \$549,300 for this lease.

Payment Requirement FYE June 30,	Principal	Interest	Total
2014	\$ 140,351	\$ 15,924	\$ 156,275
2015	75,245	\$ 12,447	87,692
2016	77,688	\$ 10,004	87,692
2017	80,211	\$ 7,481	87,692
2018	82,816	\$ 4,876	87,692
2019	85,505	\$ 2,187	87,692
2020	21,807	116	21,923
	<u>\$ 563,623</u>	<u>\$ 53,035</u>	<u>\$ 616,658</u>

Loans Payable

A summary of the terms of revenue bonds and loans outstanding and their corresponding allocations to the governmental and business-type activities at June 30, 2013 follows:

<u>Series and Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
<u>Governmental Activities</u>			
NMFA Loan	2022	3.554%	163,699
NMFA Loan	2021	3.387%	652,961
NMFA Loan	2021	2.392%	251,481
Total governmental activities			<u>\$ 1,068,141</u>
<u>Business-Type Activities</u>			
NMFA Loan -Landfill Loan	2022	4.248%	\$ 289,549
NMED Loan	2018	2.0%	691,542
NMED Loan	2029	3.588%	915,908
NMED Loan	2029	0.000%	63,813
NMED Loan	2024	25.000%	183,315
Revenue Bonds	2050	2.625%	126,200
Revenue Bonds	2051	2.500%	507,000
Revenue Bonds	2053	2.500%	1,230,000
Total business-type activities			<u>\$ 4,007,327</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)
LONG TERM DEBT: (continued)

Governmental Activities			
Year Ending June 30,	Principal	Interest	Admin. Fee
Notes Payable:			
2014	\$ 117,848	\$ 32,590	\$ 2,049
2015	121,110	29,558	1,828
2016	124,670	26,233	1,482
2017	128,523	22,622	1,196
2018	132,634	18,762	1,074
2019-2022	443,356	31,399	1,658
Total	<u>\$ 1,068,141</u>	<u>\$ 161,164</u>	<u>\$ 9,287</u>

Business-Type Activities			
Year Ending June 30,	Principal	Interest	Admin. Fee
Notes Payable:			
2014	\$ 209,514	\$ 57,995	\$ 724
2015	232,300	53,404	656
2016	237,237	48,541	586
2017	242,404	43,450	513
2018	247,838	38,093	436
2019-2023	527,183	130,455	911
2024-2028	365,871	59,358	-
2029-2029	81,780	3,298	-
Total	<u>\$ 2,144,127</u>	<u>\$ 434,594</u>	<u>\$ 3,826</u>

Revenue Bonds Payable:			
Year Ending June 30,	Principal	Interest	Admin. Fee
2014	\$ 30,000	\$ 46,849	\$ -
2015	30,100	46,049	-
2016	30,100	45,349	-
2017	30,200	44,549	-
2018	31,300	43,749	-
2019-2023	159,200	207,245	-
2024-2028	176,900	187,145	-
2029-2033	225,800	162,045	-
2034-2038	236,000	132,945	-
2039-2043	277,500	102,145	-
2044-2048	309,300	64,596	-
2049-2053	326,800	25,082	-
Total	<u>\$ 1,863,200</u>	<u>\$ 1,107,748</u>	<u>\$ -</u>

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT: (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Loan Payable	\$ 1,182,971	\$ -	\$ 114,830	\$ 1,068,141	\$ 117,848
Compensated absences	<u>209,518</u>	<u>186,101</u>	<u>172,136</u>	<u>223,483</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,392,489</u>	<u>\$ 186,101</u>	<u>\$ 286,966</u>	<u>\$ 1,291,624</u>	<u>\$ 117,848</u>
Business-type activities					
Capital Lease	\$ 111,310	\$ 549,300	\$ 96,987	\$ 563,623	\$ 140,351
Loans Payable	3,395,955	183,315	1,435,143	2,144,127	209,514
Revenue Bonds Payable	643,200	1,230,000	10,000	1,863,200	30,000
Compensated Absences	<u>100,565</u>	<u>105,228</u>	<u>97,863</u>	<u>107,930</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 4,251,030</u>	<u>\$ 2,067,843</u>	<u>\$ 1,639,993</u>	<u>\$ 4,678,880</u>	<u>\$ 379,865</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Landfill Closure and Post Closure Costs

State and Federal law regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$758,689 reported as landfill closure liability (includes: landfill closure, post closure care, phase I and phase II assessments and corrective action costs) at June 30, 2013, represents the cumulative amount reported to date based on management's estimates and on the area used by the landfill. Actual costs may differ due to inflation and changes in technology and regulations. It is estimated that the current site will be closed in 2014.

During the year ended June 30, 2013, the City received \$52,615 in environmental gross receipts tax for closure and post closure and post closure care costs as well as other solid waste issues. The City has reported restricted cash per the financials at June 30, 2013; \$348,575 of City imposed environmental gross receipts tax and service charge revenue to be used to satisfy the landfill closure and post closure care liability as well as other solid waste cost issues. The City has satisfied State determined financial assurance requirements for closure and post closure costs and related assessments through the State's analysis of the City's present financial stature. The City has received their new landfill permit which is adjacent to the old landfill. The new landfill cells were opened in 2013.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Restricted Assets

The balances of the restricted asset accounts are as follows:

	Enterprise Funds
Meter deposits	\$ 77,382
Debt requirements	493,535
Land Closure and Solid Waste Reserve	348,575
Water Rights Acquisition Reserve	<u>15,050</u>
Total restricted assets	<u>\$ 934,542</u>

POST-EMPLOYMENT BENEFITS:

Retirement Plan

Plan Description. Substantially all of the City’s full-time employees participate in a public employee retirement system authorized under the Public Employees’ Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. This report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute a percentage of their gross salary. The City of Socorro is required to contribute 18.5% for law enforcement officers, 21.25% for fire protection workers and 9.15% for all other employees, of the gross covered salary. In addition to the state employer contribution percentages above, the City currently pays 75% of the required employee contributions of 13.15% for all regular employee members. The contribution requirements of plan members and the City of Socorro are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The City of Socorro’s contributions to PERA for the years ending June 30, 2013, 2012 and 2011 were \$841,347, \$798,518, and \$782,979, respectively, which equal the amount of the required contributions for each fiscal year.

Deferred Compensation Plan

The State of New Mexico offers local governments a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all local government employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Deferred Compensation Plan (continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by the State of New Mexico for the benefit of the participants.

Approximately sixteen employees of the City participate in the Deferred Compensation Plan. Neither the City of Socorro nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the City of Socorro, have been paid to New Mexico Public Employees' Retirement Association, which administers the plan.

Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The City of Socorro 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 (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.

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; 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.

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

POST-EMPLOYMENT BENEFITS: (continued)

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

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, 2013, 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, 2013, 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 of Socorro contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$92,642, \$80,072, and \$71,274, respectively, which equal the required contributions for each year.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained insurance through the Self Insurance Fund operating as a common risk management and insurance program. The City pays an annual premium to the New Mexico Self Insurers Fund for its general insurance coverage and all risk of loss is transferred.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Related Party Transactions

The City's mayor and council members own various businesses in their local area. For the year ending June 30, 2013 the City paid Best Western Hotel \$428 for facility rent and Bhasker Medical Clinic PC \$7,320 which is owned by Mayor Bhasker. For the year ending June 30, 2013 the City paid Monette Ford \$14,760 which is owned by Donald Monette, council member, Ernest Welding & Machine \$3,230 which is owned by Earnest Pargas, council member, Toby Jaramillo councilor's business \$375 and Hicks Paint and Body Shop \$7,233 which is owned by Gordy Hicks, council member.

Joint Powers Agreement

The City of Socorro and the County of Socorro have entered into an agreement dated September 13, 2011 for sharing of Emergency Medical Services (EMS) and detention center. The City operates an EMS program and the County operates a detention center which will be utilized by both for the health, safety and welfare needs of their respective citizens. The funds exchanged between the City and County will be utilized for the purchase of equipment and maintenance of the facility.

Capital Outlay Appropriations

Capital Outlay appropriations are as follows:

<u>CAPITAL PROJECT FUND</u>	<u>PROJECT APPROPRIATIONS</u>	<u>2013 EXPENDITURES</u>	<u>EXPENDITURES TO DATE</u>	<u>PROJECT FUNDS OUTSTANDING</u>	<u>APPROPRIATION PERIOD</u>
RODEO ARENA/CONV CENTER 12LG1485	\$ 292,000	\$ 207,929	\$ 207,929	\$ 84,071	08/27/12-06/30/16

The term of the grants are contingent upon sufficient state appropriations and may be reverted prior to the expiration dates.

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FIRE PROTECTION FUND – to account for the operations and maintenance of the fire department. Financing is provided by an allotment from the State of New Mexico Fire Marshal’s Office. State Statute Section 59A-53-2, NMSA, 1978 compilation, requires the allotment be used only to operate fire departments.

RECREATION FUND – to account for the operation and maintenance of recreational facilities in the City. Financing is provided by program revenue and by a 1 cent tax on cigarette sales which is collected and distributed by the State of New Mexico. State Statute Section 7-12-15, NMSA, 1978 compilation requires this tax be used in the above manner.

LODGERS TAX FUND – to account for the operations of tourist facilities or for half of advertising, promoting and publicizing such facilities and tourist attractions. Financing is provided by one and a half percent of a five percent tax on lodging gross receipts within the City of Socorro. State Statute Section 4-6-41 provides for this tax to be imposed by the City.

LODGERS TAX PROMOTIONAL FUND – to account for the operations of advertising, publicizing and promoting tourist facilities and tourist attractions. Financing is provided by three and a half percent of a five percent tax on lodging gross receipts within the City of Socorro. State Statute Section 3-3-15, subsection D and E, NMSA, 1978 compilation requires the tax to be used in this manner.

EMERGENCY MEDICAL SERVICES FUND – to account for the State grants received for the purchase, repair and maintenance of rescue units, ambulance vehicles and emergency equipment and communication system. State Statute Section 24-10A-7, NMSA, 1978 compilation restricts the expenditures to be used for that purpose.

LAW ENFORCEMENT PROTECTION FUND – to account for the State grants received for the purchase, repair and maintenance of law enforcement equipment and expenses for law enforcement planning and training. State Statute Section 29-13-1, NMSA, 1978 compilation restricts the expenditures to be used for that purpose.

CORRECTIONAL FEES FUND – to account for correctional fees collectable from persons convicted by the municipal judge for violating any motor vehicle ordinance. State Statute Section 35-14-11, NMSA, 1978 compilation restricts the expenditures to the purpose of paying for the care of municipal prisoners.

SEDILLO PARK RENOVATIONS FUND – to account for recreational user fees and concession revenues associated with activities conducted at Sedillo Park. The revenues are pledged for the purpose of paying a promissory note, the proceeds of which were used for renovating Sedillo Park.

LIBRARY FUND – to account for donations received for the Public Library. Resources are provided by public donations and the interest earned thereon. Expenditures are to be used for activities of the library.

JUVENILE JUSTICE GRANT – to account for grant funds used for programs and workshops administered for the benefit of youth.

SPECIAL REVENUE FUNDS (continued)

E-911 FUND – to account for the emergency medical system. Resources for the project are provided by a grant and administered by New Mexico Department of Finance.

CAPITAL PROJECTS FUNDS

AIRPORT IMPROVEMENT FUND – to account for resources received and used for improvements to the municipal airport. Resources for the project are provided by an FAA Grant, NM Aviation Division Grant and City matching funds.

STREET IMPROVEMENT FUND – to account for improvements to streets. Resources for the various projects are provided by the New Mexico State Highway and Transportation Department, State Appropriations, local contributions, City matching contributions and transfers from the General Fund and Enterprise Fund.

RODEO ARENA AND CONVENTION CENTER – to account for improvements and facilities to the arena and convention center. Resources for this project are provided by federal and state funding and transfers from the General Fund.

CDBG CUBA ROAD PHASE III - to account for improvements to various roads. Resources for the project are provided by the General Fund, Enterprise Fund and federal and state funding.

DEBT SERVICE FUND

Debt Service Fund – to account for accumulation of monies and payment of interest, principal & required reserves on the Master Equipment Lease Purchase Agreement and the HS Road Intercept and Reserve Fund.

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue					
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
ASSETS						
Cash	\$ 64,948	\$ 2,100	\$ 21,803	\$ 39,372	\$ -	\$ -
Cash - restricted	-	-	-	-	-	-
Investments	-	-	164,130	274,793	-	-
Accounts receivable	-	-	8,129	22,534	-	-
Total assets	<u>\$ 64,948</u>	<u>\$ 2,100</u>	<u>\$ 194,062</u>	<u>\$ 336,699</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,343	\$ 1,957	\$ 101	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>1,343</u>	<u>1,957</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Special revenue	63,605	143	193,961	336,699	-	-
Total fund balances	<u>63,605</u>	<u>143</u>	<u>193,961</u>	<u>336,699</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 64,948</u>	<u>\$ 2,100</u>	<u>\$ 194,062</u>	<u>\$ 336,699</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue

Correctional Fees Fund	E-911 Fund	Sedillo Park Renovations Fund	Library Fund	Juvenile Justice Grant Fund	Total
\$ 25,505	\$ -	\$ 40,025	\$ 16,338	\$ 3,180	\$ 213,271
-	-	-	-	-	-
-	-	-	-	-	438,923
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,820</u>	<u>52,483</u>
<u>\$ 25,505</u>	<u>\$ -</u>	<u>\$ 40,025</u>	<u>\$ 16,338</u>	<u>\$ 25,000</u>	<u>\$ 704,677</u>
\$ -	\$ -	\$ 8	\$ -	\$ 7,620	\$ 11,029
-	-	-	-	-	-
-	-	8	-	7,620	11,029
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>25,505</u>	<u>-</u>	<u>40,017</u>	<u>16,338</u>	<u>17,380</u>	<u>693,648</u>
<u>25,505</u>	<u>-</u>	<u>40,017</u>	<u>16,338</u>	<u>17,380</u>	<u>693,648</u>
<u>\$ 25,505</u>	<u>\$ -</u>	<u>\$ 40,025</u>	<u>\$ 16,338</u>	<u>\$ 25,000</u>	<u>\$ 704,677</u>

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
JUNE 30, 2013

	<u>Capital Projects</u>				
	<u>Airport Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Rodeo Arena and Convention Center</u>	<u>CDBG Cuba Rd Phase III</u>	<u>Total</u>
ASSETS					
Cash	\$ 2,861	\$ 4,587	\$ 94,619	\$ 24,439	\$ 126,506
Cash - restricted	-	-	-	-	-
Investments	-	-	-	-	-
Accounts receivable	<u>28,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,661</u>
Total assets	<u>\$ 31,522</u>	<u>\$ 4,587</u>	<u>\$ 94,619</u>	<u>\$ 24,439</u>	<u>\$ 155,167</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	-	-
Capital projects	31,522	4,587	94,619	24,439	155,167
Special revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>31,522</u>	<u>4,587</u>	<u>94,619</u>	<u>24,439</u>	<u>155,167</u>
Total liabilities and fund balances	<u>\$ 31,522</u>	<u>\$ 4,587</u>	<u>\$ 94,619</u>	<u>\$ 24,439</u>	<u>\$ 155,167</u>

The notes to the financial statements are an integral part of this statement.

Debt Service

<u>Total</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 339,777
161,046	161,046
58,826	497,749
<u>-</u>	<u>81,144</u>
<u>\$ 219,872</u>	<u>\$ 1,079,716</u>
\$ -	\$ 11,029
<u>-</u>	<u>-</u>
<u>-</u>	<u>11,029</u>
219,872	219,872
-	155,167
<u>-</u>	<u>693,648</u>
<u>219,872</u>	<u>1,068,687</u>
<u>\$ 219,872</u>	<u>\$ 1,079,716</u>

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue					
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
REVENUES						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	96,055	268,357	-	-
Intergovernmental						
Federal grants	-	-	-	-	-	-
State grants	170,934	-	52,361	-	19,500	31,400
Charges for services	-	23,931	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
State shared gross receipts tax	-	-	-	-	-	-
Other	-	14,402	-	11,651	-	-
Investment	5	-	-	-	-	-
Total revenues	<u>170,939</u>	<u>38,333</u>	<u>148,416</u>	<u>280,008</u>	<u>19,500</u>	<u>31,400</u>
EXPENDITURES						
Current operations:						
General government	-	-	-	-	-	-
Public safety	91,156	-	-	-	19,500	22,685
Culture and recreation	-	437,761	128,923	127,125	-	-
Debt Service:						
Principal	29,138	-	-	-	-	-
Interest	6,082	-	-	-	-	-
Fees and other	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,715</u>
Total expenditures	<u>126,376</u>	<u>437,761</u>	<u>128,923</u>	<u>127,125</u>	<u>19,500</u>	<u>31,400</u>
Excess (deficiency) of revenues over expenditures	44,563	(399,428)	19,493	152,883	-	-
Other financing sources (uses):						
Debt proceeds	-	-	-	-	-	-
Transfers in	-	387,000	-	-	-	-
Transfers out	-	-	(20,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>387,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	44,563	(12,428)	(507)	152,883	-	-
Fund balances, beginning of year	<u>19,042</u>	<u>12,571</u>	<u>194,468</u>	<u>183,816</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 63,605</u>	<u>\$ 143</u>	<u>\$ 193,961</u>	<u>\$ 336,699</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue

Correctional Fees Fund	E-911 Fund	Sedillo Park Renovations Fund	Library Fund	Juvenile Justice Grant Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	364,412
-	-	-	-	33,795	33,795
-	183,189	-	518	-	457,902
-	-	21,710	50	-	45,691
39,358	-	-	-	-	39,358
-	-	-	-	-	-
-	-	-	1,445	-	27,498
-	-	-	-	-	5
<u>39,358</u>	<u>183,189</u>	<u>21,710</u>	<u>2,013</u>	<u>33,795</u>	<u>968,661</u>
-	-	-	-	-	-
46,900	183,189	-	-	41,415	404,845
-	-	52,940	605	-	747,354
-	-	-	-	-	29,138
-	-	-	-	-	6,082
-	-	-	-	-	-
-	-	-	-	-	8,715
<u>46,900</u>	<u>183,189</u>	<u>52,940</u>	<u>605</u>	<u>41,415</u>	<u>1,196,134</u>
(7,542)	-	(31,230)	1,408	(7,620)	(227,473)
-	-	-	-	-	-
-	-	35,000	-	10,000	432,000
-	-	-	-	-	(20,000)
-	-	<u>35,000</u>	-	<u>10,000</u>	<u>412,000</u>
(7,542)	-	3,770	1,408	2,380	184,527
<u>33,047</u>	-	<u>36,247</u>	<u>14,930</u>	<u>15,000</u>	<u>509,121</u>
<u>\$ 25,505</u>	<u>\$ -</u>	<u>\$ 40,017</u>	<u>\$ 16,338</u>	<u>\$ 17,380</u>	<u>\$ 693,648</u>

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Capital Projects				Total
	Airport Improvement Fund	Street Improvement Fund	Rodeo Arena and Convention Center	CDBG Cuba Rd Phase III	
REVENUES					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	-	-	-
Intergovernmental					
Federal grants	351,921	-	-	-	351,921
State grants	20,002	266,357	178,611	-	464,970
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
State shared gross receipts tax	-	-	-	-	-
Other	-	-	165,000	-	165,000
Investment	-	-	-	-	-
Total revenues	<u>371,923</u>	<u>266,357</u>	<u>343,611</u>	<u>-</u>	<u>981,891</u>
EXPENDITURES					
Current operations:					
General government	-	41,646	99,101	-	140,747
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Fees and other	-	-	-	-	-
Capital outlay	<u>373,807</u>	<u>403,691</u>	<u>194,061</u>	<u>55,305</u>	<u>1,026,864</u>
Total expenditures	<u>373,807</u>	<u>445,337</u>	<u>293,162</u>	<u>55,305</u>	<u>1,167,611</u>
Excess (deficiency) of revenues over expenditures	(1,884)	(178,980)	50,449	(55,305)	(185,720)
Other financing sources (uses):					
Debt proceeds	-	-	-	-	-
Transfers in	19,983	180,000	75,000	49,462	324,445
Transfers out	-	-	(65,000)	-	(65,000)
Total other financing sources (uses)	<u>19,983</u>	<u>180,000</u>	<u>10,000</u>	<u>49,462</u>	<u>259,445</u>
Net change in fund balances	18,099	1,020	60,449	(5,843)	73,725
Fund balances, beginning of year	<u>13,423</u>	<u>3,567</u>	<u>34,170</u>	<u>30,282</u>	<u>81,442</u>
Fund balances, end of year	<u>\$ 31,522</u>	<u>\$ 4,587</u>	<u>\$ 94,619</u>	<u>\$ 24,439</u>	<u>\$ 155,167</u>

The notes to the financial statements are an integral part of this statement.

<u>Debt Service</u>			
	<u>Total</u>		<u>Nonmajor Governmental Funds</u>
\$	117,327	\$	117,327
	-		364,412
	-		385,716
	-		922,872
	-		45,691
	-		39,358
	-		-
	-		192,498
	<u>454</u>		<u>459</u>
	<u>117,781</u>		<u>2,068,333</u>
	25,787		166,534
	-		404,845
	-		747,354
	85,692		114,830
	29,196		35,278
	2,331		2,331
	-		<u>1,035,579</u>
	<u>143,006</u>		<u>2,506,751</u>
(	25,225)	(	438,418)
	-		-
	65,000		821,445
(	<u>304,462</u>	(	<u>389,462</u>
(	<u>239,462</u>		<u>431,983</u>
(	264,687)	(	6,435)
	<u>484,559</u>		<u>1,075,122</u>
\$	<u><u>219,872</u></u>	\$	<u><u>1,068,687</u></u>

**STATE OF NEW MEXICO
CITY OF SOCORRO
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
State grants	\$ 182,077	\$ 182,077	\$ 170,934	\$(11,143)
Investment income	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total revenues	<u>182,077</u>	<u>182,077</u>	<u>170,939</u>	<u>(11,138)</u>
EXPENDITURES				
Current operations:				
Public Safety	124,000	124,000	91,329	32,671
Debt service				
Principal	29,138	29,138	29,138	-
Interest	<u>6,082</u>	<u>6,082</u>	<u>6,082</u>	<u>-</u>
Total expenditures	<u>159,220</u>	<u>159,220</u>	<u>126,549</u>	<u>32,671</u>
Excess (deficiency) of revenues				
over expenditures	<u>22,857</u>	<u>22,857</u>	<u>44,390</u>	<u>21,533</u>
Net change in fund balances	<u>\$ 22,857</u>	<u>\$ 22,857</u>	<u>\$ 44,390</u>	<u>\$ 21,533</u>
Beginning cash balance	<u>\$ 20,558</u>	<u>\$ 20,558</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 44,390	
Change in payables			<u>173</u>	
Net change in fund balances GAAP basis			<u>\$ 44,563</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ 32,000	\$ 32,000	\$ 23,931	\$(8,069)
Other	<u>16,200</u>	<u>16,200</u>	<u>14,402</u>	<u>(1,798)</u>
Total revenues	<u>48,200</u>	<u>48,200</u>	<u>38,333</u>	<u>(9,867)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>374,215</u>	<u>442,215</u>	<u>438,946</u>	<u>3,269</u>
Total expenditures	<u>374,215</u>	<u>442,215</u>	<u>438,946</u>	<u>3,269</u>
Excess (deficiency) of revenues over expenditures	<u>(326,015)</u>	<u>(394,015)</u>	<u>(400,613)</u>	<u>(6,598)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>329,015</u>	<u>390,015</u>	<u>387,000</u>	<u>(3,015)</u>
Total other financing sources (uses)	<u>329,015</u>	<u>390,015</u>	<u>387,000</u>	<u>(3,015)</u>
Net change in fund balances	<u>\$ 3,000</u>	<u>\$(4,000)</u>	<u>\$(13,613)</u>	<u>\$(9,613)</u>
Beginning cash balance	<u>\$ 15,713</u>	<u>\$ 15,713</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(13,613)	
Change in payables			<u>1,185</u>	
Net change in fund balances GAAP basis			<u>\$(12,428)</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
LODGERS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Lodgers' tax	\$ 80,000	\$ 80,000	\$ 96,642	\$ 16,642
State grants	<u>-</u>	<u>50,000</u>	<u>52,361</u>	<u>2,361</u>
Total revenues	<u>80,000</u>	<u>130,000</u>	<u>149,003</u>	<u>19,003</u>
EXPENDITURES				
Current operations:				
Culture and recreation	113,800	179,000	128,979	50,021
Capital Outlay	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total expenditures	<u>116,300</u>	<u>181,500</u>	<u>128,979</u>	<u>52,521</u>
Excess (deficiency) of revenues over expenditures	<u>(36,300)</u>	<u>(51,500)</u>	<u>20,024</u>	<u>71,524</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (56,300)</u>	<u>\$ (71,500)</u>	<u>\$ 24</u>	<u>\$ 71,524</u>
Beginning cash balance	<u>\$ 185,909</u>	<u>\$ 185,909</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 24	
Change in receivables			(587)	
Change in payables			<u>56</u>	
Net change in fund balances GAAP basis			<u>\$ (507)</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
LODGERS TAX PROMOTIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodgers' tax	\$ 248,000	\$ 248,000	\$ 267,460	\$ 19,460
Other	<u>14,250</u>	<u>14,250</u>	<u>11,651</u>	<u>(2,599)</u>
Total revenues	<u>262,250</u>	<u>262,250</u>	<u>279,111</u>	<u>16,861</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>116,428</u>	<u>139,278</u>	<u>127,125</u>	<u>12,153</u>
Total expenditures	<u>116,428</u>	<u>139,278</u>	<u>127,125</u>	<u>12,153</u>
Excess (deficiency) of revenues over expenditures	<u>145,822</u>	<u>122,972</u>	<u>151,986</u>	<u>29,014</u>
Net change in fund balances	<u>\$ 145,822</u>	<u>\$ 122,972</u>	<u>\$ 151,986</u>	<u>\$ 29,014</u>
Beginning cash balance	<u>\$ 162,179</u>	<u>\$ 162,179</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 151,986	
Change in receivables			<u>897</u>	
Net change in fund balances GAAP basis			<u>\$ 152,883</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ 19,500	\$ 19,500	\$ 19,500	\$ -
Total revenues	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public Safety	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>-</u>
Total expenditures	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u> </u>
REVENUES				
State grants	\$ 31,400	\$ 31,400	\$ 31,400	\$ -
Total revenues	<u>31,400</u>	<u>31,400</u>	<u>31,400</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public Safety	-	-	22,685	(22,685)
Capital Outlay	<u>31,400</u>	<u>31,400</u>	<u>8,715</u>	<u>22,685</u>
Total expenditures	<u>31,400</u>	<u>31,400</u>	<u>31,400</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
CORRECTIONAL FEES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Fines and forfeitures	\$ <u>50,000</u>	\$ <u>50,000</u>	\$ <u>39,358</u>	\$(<u>10,642</u>)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>39,358</u>	<u>(10,642)</u>
EXPENDITURES				
Current operations:				
Public Safety	<u>50,000</u>	<u>50,000</u>	<u>46,900</u>	<u>3,100</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>46,900</u>	<u>3,100</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(7,542)</u>	<u>(7,542)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$(7,542)</u>	<u>\$(7,542)</u>
Beginning cash balance	<u>\$ 33,047</u>	<u>\$ 33,047</u>		

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF SOCORRO
E-911 FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ -	\$ 190,201	\$ 183,189	\$ 7,012
Total revenues	<u>-</u>	<u>190,201</u>	<u>183,189</u>	<u>7,012</u>
EXPENDITURES				
Current operations:				
Public safety	-	190,201	\$ 183,189	7,012
Total expenditures	<u>-</u>	<u>190,201</u>	<u>183,189</u>	<u>7,012</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SEDILLO PARK RENOVATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ 22,000	\$ 22,000	\$ 21,710	\$(290)
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>21,710</u>	<u>(290)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>22,000</u>	<u>57,000</u>	<u>53,517</u>	<u>3,483</u>
Total expenditures	<u>22,000</u>	<u>57,000</u>	<u>53,517</u>	<u>3,483</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(35,000)</u>	<u>(31,807)</u>	<u>3,193</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>50,000</u>	<u>35,000</u>	<u>15,000</u>
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>35,000</u>	<u>15,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 3,193</u>	<u>\$(11,807)</u>
Beginning cash balance	<u>\$ 36,832</u>	<u>\$ 36,832</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 3,193	
Change in payables			<u>577</u>	
Net change in fund balances GAAP basis			<u>\$ 3,770</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ 750	\$ 750	\$ 518	\$(232)
Charges for services	500	500	50	(450)
Other	<u>1,600</u>	<u>1,600</u>	<u>1,445</u>	<u>(155)</u>
Total revenues	<u>2,850</u>	<u>2,850</u>	<u>2,013</u>	<u>(837)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>2,850</u>	<u>2,850</u>	<u>605</u>	<u>2,245</u>
Total expenditures	<u>2,850</u>	<u>2,850</u>	<u>605</u>	<u>2,245</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,408</u>	<u>1,408</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,408</u>	<u>\$ 1,408</u>
Beginning cash balance	<u>\$ 14,930</u>	<u>\$ 14,930</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUVENILE JUSTICE GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Federal grants	\$ 25,000	\$ 55,000	\$ 25,000	\$(30,000)
Total revenues	<u>25,000</u>	<u>55,000</u>	<u>25,000</u>	<u>(30,000)</u>
EXPENDITURES				
Current operations:				
Public safety	<u>11,975</u>	<u>41,975</u>	<u>33,795</u>	<u>8,180</u>
Total expenditures	<u>11,975</u>	<u>41,975</u>	<u>33,795</u>	<u>8,180</u>
Excess (deficiency) of revenues over expenditures	<u>13,025</u>	<u>13,025</u>	<u>(8,795)</u>	<u>(21,820)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>10,000</u>	<u>25,000</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>10,000</u>	<u>25,000</u>
Net change in fund balances	<u>\$ 13,025</u>	<u>\$(1,975)</u>	<u>\$ 1,205</u>	<u>\$ 3,180</u>
Beginning cash balance	<u>\$ 1,975</u>	<u>\$ 1,975</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 1,205	
Change in receivables			8,795	
Change in payables			<u>(7,620)</u>	
Net change in fund balances GAAP basis			<u>\$ 2,380</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
AIRPORT IMPROVEMENTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Federal grants	\$ 9,260	\$ 368,960	\$ 323,260	\$(45,700)
State grants	<u>307</u>	<u>20,291</u>	<u>20,002</u>	<u>(289)</u>
Total revenues	<u>9,567</u>	<u>389,251</u>	<u>343,262</u>	<u>(45,700)</u>
EXPENDITURES				
Capital Outlay	<u>-</u>	<u>408,167</u>	<u>373,807</u>	<u>34,360</u>
Total expenditures	<u>-</u>	<u>408,167</u>	<u>373,807</u>	<u>34,360</u>
Excess (deficiency) of revenues over expenditures	<u>9,567</u>	<u>(18,916)</u>	<u>(30,545)</u>	<u>(11,340)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>8,500</u>	<u>19,983</u>	<u>11,483</u>
Total other financing sources (uses)	<u>-</u>	<u>8,500</u>	<u>19,983</u>	<u>11,483</u>
Net change in fund balances	<u>\$ 9,567</u>	<u>\$(10,416)</u>	<u>\$(10,562)</u>	<u>\$(11,340)</u>
Beginning cash balance	<u>\$ 13,423</u>	<u>\$ 13,423</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(10,562)	
Change in receivables			<u>28,661</u>	
Net change in fund balances GAAP basis			<u>\$ 18,099</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
RODEO ARENA AND CONVENTION CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ 292,000	\$ 292,000	\$ 178,611	\$(113,389)
Other	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Total revenues	<u>292,000</u>	<u>292,000</u>	<u>343,611</u>	<u>51,611</u>
EXPENDITURES				
General government	-	-	99,101	(99,101)
Capital Outlay	<u>172,000</u>	<u>352,000</u>	<u>194,061</u>	<u>157,939</u>
Total expenditures	<u>172,000</u>	<u>352,000</u>	<u>293,162</u>	<u>58,838</u>
Excess (deficiency) of revenues over expenditures	<u>120,000</u>	<u>(60,000)</u>	<u>50,449</u>	<u>110,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers in and (out)	<u>(120,000)</u>	<u>30,000</u>	<u>10,000</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>30,000</u>	<u>10,000</u>	<u>20,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$(30,000)</u>	<u>\$ 60,449</u>	<u>\$ 90,449</u>
Beginning cash balance	<u>\$ 34,170</u>	<u>\$ 34,170</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
CDBG CUBA ROAD PHASE III
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 476,367	\$ 476,367	-	\$ (476,367)
EXPENDITURES				
Capital Outlay	<u>476,367</u>	<u>476,367</u>	<u>55,305</u>	<u>421,062</u>
Total expenditures	<u>476,367</u>	<u>476,367</u>	<u>55,305</u>	<u>421,062</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(55,305)</u>	<u>(55,305)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>49,462</u>	<u>(538)</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>49,462</u>	<u>(538)</u>
Net change in fund balances	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$(5,843)</u>	<u>\$(55,843)</u>
Beginning cash balance	<u>\$ 30,282</u>	<u>\$ 30,282</u>		

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
DEBT SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Gross receipts tax	\$ 117,327	\$ 117,327	\$ 117,327	\$ -
Investment	<u>660</u>	<u>660</u>	<u>454</u>	(206)
Total revenues	<u>117,987</u>	<u>117,987</u>	<u>117,781</u>	(206)
EXPENDITURES				
General government	200,000	200,000	25,787	174,213
Capital Outlay	80,000	80,000	-	80,000
Debt service:				
Principal	85,692	85,692	85,692	-
Interest	31,114	31,114	29,196	1,918
Fees and other	<u>2,434</u>	<u>2,434</u>	<u>2,331</u>	<u>103</u>
Total expenditures	<u>399,240</u>	<u>399,240</u>	<u>143,006</u>	<u>256,234</u>
Excess (deficiency) of revenues over expenditures	(281,253)	(281,253)	(25,225)	<u>256,028</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	420,000	620,000	65,000	(555,000)
Transfers out	<u>(421,000)</u>	<u>(488,000)</u>	<u>(304,462)</u>	<u>183,538</u>
Total other financing sources (uses)	<u>(1,000)</u>	<u>132,000</u>	<u>(239,462)</u>	<u>(371,462)</u>
Net change in fund balances	<u>\$(282,253)</u>	<u>\$(149,253)</u>	<u>\$(264,687)</u>	<u>\$(115,434)</u>
Beginning cash and investment balances	<u>\$ 484,559</u>	<u>\$ 484,559</u>		

The notes to the financial statements are an integral part of this statement.

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**STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Operating Revenues:				
Charges for services	\$ 7,339,250	\$ 7,339,250	\$ 6,890,783	\$(448,467)
Connection charges	65,000	65,000	60,394	(4,606)
Other revenue	<u>7,000</u>	<u>7,000</u>	<u>18,331</u>	<u>11,331</u>
Total operating revenues	<u>7,411,250</u>	<u>7,411,250</u>	<u>6,969,508</u>	<u>(441,742)</u>
Operating Expenses:				
Natural gas purchases	1,100,000	1,100,000	1,141,179	(41,179)
Salaries	1,793,100	1,773,210	1,753,315	19,895
Benefits	660,543	644,443	626,832	17,611
Other operating expense	4,363,852	4,496,642	3,168,065	1,328,577
Payment in lieu of taxes	<u>255,044</u>	<u>255,044</u>	<u>262,558</u>	<u>(7,514)</u>
Total operating expenses excluding non-budgeted expenses	<u>8,172,539</u>	<u>8,269,339</u>	<u>6,951,949</u>	<u>1,317,390</u>
Net operating income excluding non-budgeted expenses	<u>(761,289)</u>	<u>(858,089)</u>	<u>17,559</u>	<u>875,648</u>
Non-operating income (deductions):				
Taxes	80,000	80,000	92,365	12,365
Interest income	9,432	9,432	11,907	2,475
Interest expense	(62,632)	(62,632)	(120,540)	(57,908)
Principal expense	(201,389)	(201,389)	-	201,389
Transfers in (out) from other funds	(64,700)	(64,700)	(66,551)	(1,851)
Capital grants	<u>1,125,352</u>	<u>1,488,352</u>	<u>850,644</u>	<u>(637,708)</u>
Total non-operating income (deductions)	<u>886,063</u>	<u>1,249,063</u>	<u>767,825</u>	<u>(481,238)</u>
Net income (loss), excluding non-budgeted expenses	<u>124,774</u>	<u>390,974</u>	<u>785,384</u>	<u>394,410</u>
Less non-budgeted expenses:				
Depreciation	<u>-</u>	<u>-</u>	<u>1,346,382</u>	<u>(1,346,382)</u>
Total non-budgeted expenses	<u>-</u>	<u>-</u>	<u>1,346,382</u>	<u>(1,346,382)</u>
Change in net position	<u>\$ 124,774</u>	<u>\$ 390,974</u>	<u>\$(560,998)</u>	<u>\$(951,972)</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
DEPARTMENTAL
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Natural Gas</u>	<u>Water</u>	<u>Waste Water</u>	<u>Solid Waste</u>
Operating Revenues:				
Charges for services	\$ 2,766,495	\$ 1,583,350	\$ 1,275,823	\$ 931,992
Connection charges	15,892	31,838	12,664	-
Other revenue	15,058	1,733	1,540	-
Total operating revenues	<u>2,797,445</u>	<u>1,616,921</u>	<u>1,290,027</u>	<u>931,992</u>
Operating Expenses:				
Natural gas purchases	1,141,179	-	-	-
Salaries	519,702	502,709	234,527	175,030
Benefits	161,559	186,816	89,478	57,936
Other operating expense	678,833	1,111,646	754,009	174,458
Depreciation	65,563	228,088	655,868	56,763
Payment in lieu of taxes	133,250	71,265	58,043	-
Total operating expenses	<u>2,700,086</u>	<u>2,100,524</u>	<u>1,791,925</u>	<u>464,187</u>
Operating income (loss)	97,359	(483,603)	(501,898)	467,805
Non-operating income (deductions):				
Taxes				
Interest income				
Interest expense				
Transfers in (out) from other funds				
Federal grants				
Total non-operating income (deductions)				
Change in net position				
Net position, beginning of year				
Net position, end of year				

The notes to the financial statements are an integral part of this statement.

<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
\$ 308,997	\$ 24,126	\$ 6,890,783
-	-	60,394
-	-	18,331
<u>308,997</u>	<u>24,126</u>	<u>6,969,508</u>
-	-	1,141,179
260,824	60,523	1,753,315
99,411	31,632	626,832
441,097	8,022	3,168,065
340,100	-	1,346,382
-	-	262,558
<u>1,141,432</u>	<u>100,177</u>	<u>8,298,331</u>
(832,435)	(76,051)	(1,328,823)
		92,365
		11,907
		(120,540)
		(66,551)
		<u>850,644</u>
		<u>767,825</u>
		(560,998)
		<u>15,027,600</u>
		<u>\$ 14,466,602</u>

(Continued)

FEDERAL COMPLIANCE AND FINDINGS

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2013**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency Pass Through - New Mexico Environment Department Water Meter Replacement	66.468	unknown (Includes grant & loan 50/50)	\$ 366,630
U.S. Department of Transportation Airport Project	20-106	3-35-0040-012-2012	351,921
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation Public Rural Transportation Grant	20.5	ARRA AIP-3-350040-7	164,999
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation TBS - DWI Blitz	20.608	12-AL-64-096	14,030
U.S. Department of Agriculture - Rural Utility Service Arsenic Treatment Project	10.760	ARRA	850,788
U.S. Center for Disease Control Pass Through - New Mexico Department of Health Community Transformation Grant	93.531	PO# 66500-87033	35,686
U.S. Department of Justice Pass Through - New Mexico Children and Youth Families Dept. Juvenile Assistance Grant	16.601	2011-JF-FX-0057	<u>33,795</u>
Total Federal Financial Awards Expenditures			<u>\$ 1,817,849</u>

Note A - Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

INDEPENDENT AUDITORS' 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*

To the City Council
City of Socorro, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, 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, the aggregate remaining fund information, and the budgetary comparisons of the general fund of the City of Socorro, New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

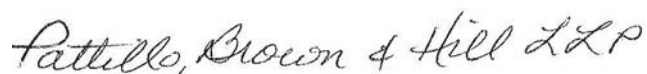
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

City of Socorro, New Mexico's Response to Findings

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

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.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 14, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Ravi Bhasker, Mayor
City Council
City of Socorro
Socorro, New Mexico
and
Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Socorro, New Mexico, compliance with the types of compliance requirements OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Socorro, New Mexico's major federal programs for the year ended June 30, 2013. The City of Socorro, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Socorro, New Mexico's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Socorro, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Socorro, New Mexico, complied, in all material respects, with the types of compliance referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

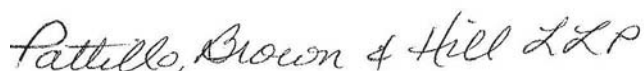
Report on Internal Control Over Compliance

Management of City of Socorro, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Socorro, New Mexico's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Socorro, New Mexico's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 14, 2013

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Socorro.
2. No material weaknesses and no significant deficiencies in internal control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal awards programs for the City of Socorro expresses an unqualified opinion.
6. There were no audit findings relative to the major federal awards programs for the City of Socorro to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs included:
Airport Project Grant, Public Rural Transportation Grant, Arsenic Treatment Project, Water Meter Replacement.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Socorro was not determined to qualify as a low risk auditee.

B. Findings- Financial Statements Audit

Reportable Conditions – Prior Year

- 2010-1 Budget Deficit in Excess of Cash - resolved
- 2012-1 Expenditures in Excess of Budget - resolved

Current Year

- 2013-1 Disposal of Property – compliance
- 2013-2 Mileage Logs – compliance

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

Current Year Findings and Recommendations

2013 – 1	Disposal of Property: (compliance)
Condition:	The City disposed of real property in the current fiscal year.
Criteria:	Per New Mexico Administrative Code section 2.2.2.10 V., which requires notification to the New Mexico State Auditor’s office at least thirty days prior to the disposition of property.
Effect:	The City has not complied with New Mexico Administrative Code which established procedures for disposition of property. Property could be sold without proper authorization.
Cause:	The City was unaware that the New Mexico State Auditor’s office was to be notified prior to the distribution of the property; in addition to the statute requirements at NMSA 1978 13-6-2.
Recommendation:	In the future the City should notify the New Mexico State Auditor’s office prior to disposition of any assets.
Response:	Management agrees with the recommendation and had notified and received approval from New Mexico Department of Finance and Administration but in the future will also notify the New Mexico State Auditor’s office.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

Current Year Finding and Recommendations

2013 – 2 **Mileage Logs:**
(compliance)

Condition: During the review of internal controls for travel and per diem, it was noted that the City does not have a mileage log for each City vehicle.

Criteria: 1.5.3.11(I) NMAC requires each vehicle to maintain a mileage log.

Effect: The City is not tracking vehicle mileage for each vehicle as required by the New Mexico Administrative Code. As a result, mileage and fuel purchases are not being properly evaluated by the City.

Cause: The City was unaware of the requirement for a mileage log in every vehicle.

Recommendation: The City should maintain a mileage log in each vehicle, and instruct operators of the City vehicles of the requirements for documentation. The mileage logs should then be compared to the gas card reports monthly.

Response: Management agrees with the recommendation and will implement new procedures for mileage logs in all vehicles which will then be compared to the gas card reports monthly.

Section III – Findings and Questioned Costs – Major Federal Awards Program Audit

Prior Year

None

Current Year

None

**STATE OF NEW MEXICO
CITY OF SOCORRO
OTHER DISCLOSURES
JUNE 30, 2012**

EXIT CONFERENCE

An exit conference was held on November 14, 2013 by Cindy James, CPA of Pattillo, Brown & Hill, L.L.P. with Ravi Bhasker, Mayor, Patrick Salome, Jr, Clerk, Nick Fleming, Councilor, and Mable Gonzales, Finance Director, of the City of Socorro. The audit was discussed.

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the auditors, Pattillo, Brown, and Hill, L.L.C., Certified Public Accountants; however the financial statements are the responsibility of the management.