

CITY OF SOCORRO
FINANCIAL STATEMENTS
JUNE 30, 2017



CITY OF SOCORRO, NEW MEXICO

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CITY OF SOCORRO, NEW MEXICO

OFFICIAL ROSTER

Year Ended June 30, 2017

City Council

Ravi Bhasker	Mayor
Gordon Hicks	Councilor
Peter Romero	Councilor
Toby Jaramillo	Councilor
Michael Olguin Jr.	Councilor
Mary Ann Chavez-Lopez	Councilor
Nick Fleming	Councilor
Anton Salome	Councilor

City Officials

Mable Gonzales	City Clerk
Mable Gonzales	Treasurer
Frances Cases	Municipal Judge

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Socorro
and
Mr. Wayne Johnson
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, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Socorro (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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, each major fund and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, cash flows thereof and the respective budgetary comparison for the general fund 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 Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 51-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's financial statements. The combining and individual non-major fund financial statements and *other schedules required by Section 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the other schedules required by Section 2.2.2 NMAC are 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 December 15, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Albuquerque, New Mexico
December 15, 2017

CITY OF SOCORRO, NEW MEXICO
Statement of Net Position
June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 1,594,363	1,335,739	2,930,102
Receivables:			
Taxes	887,329	-	887,329
Receivables from external parties	265,696	112,546	378,242
Accounts receivable, net of allowance	334,947	1,591,311	1,926,258
Inventories	7,371	103,483	110,854
Due from other funds	362,446	62,913	425,359
Total current assets	<u>3,452,152</u>	<u>3,205,992</u>	<u>6,658,144</u>
Noncurrent assets			
Restricted cash and investments	-	154,831	154,831
Capital assets, net of accumulated depreciation	15,530,956	18,011,319	33,542,275
Total noncurrent assets	<u>15,530,956</u>	<u>18,166,150</u>	<u>33,697,106</u>
Total assets	<u>18,983,108</u>	<u>21,372,142</u>	<u>40,355,250</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	2,822,243	1,164,210	3,986,453
Total deferred outflows of resources	<u>2,822,243</u>	<u>1,164,210</u>	<u>3,986,453</u>
LIABILITIES			
Current liabilities			
Accounts payable	280,948	41,145	322,093
Accrued payroll liabilities	108,604	-	108,604
Compensated absences current	212,374	88,729	301,103
Accrued interest payable	8,322	54,325	62,647
Deposits payable	-	34,168	34,168
Loans payable - current	216,308	372,354	588,662
Capital leases payable - current	-	87,692	87,692
Bonds payable - current	-	31,300	31,300
Due to other funds	66,373	358,986	425,359
Due to other governments	-	42,431	42,431
Total current liabilities	<u>892,929</u>	<u>1,111,130</u>	<u>2,004,059</u>
Noncurrent liabilities			
Loans payable - noncurrent	2,094,155	2,946,303	5,040,458
Capital leases payable - noncurrent	-	102,307	102,307
Bonds payable- noncurrent	-	1,711,500	1,711,500
Landfill closure cost	-	1,010,854	1,010,854
Compensated absences - noncurrent	64,904	100,187	165,091
Net pension liability	8,616,299	2,886,363	11,502,662
Total noncurrent liabilities	<u>10,775,358</u>	<u>8,757,514</u>	<u>19,532,872</u>
Total liabilities	<u>11,668,287</u>	<u>9,868,644</u>	<u>21,536,931</u>
DEFERRED INFLOWS OF RESOURCES			
Real estate contract	161,524	145,438	306,962
Pension related	251,080	76,811	327,891
Total deferred inflows of resources	<u>412,604</u>	<u>222,249</u>	<u>634,853</u>
NET POSITION			
Net investment in capital assets	13,220,493	14,692,662	27,913,155
Restricted for:			
Special revenues	1,019,892	-	1,019,892
Capital projects	177,665	-	177,665
Debt service	244,977	-	244,977
Unrestricted	(4,938,567)	(2,247,203)	(7,185,770)
Total net position	<u>\$ 9,724,460</u>	<u>12,445,459</u>	<u>22,169,919</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 4,119,985	886,523	2,313,626	(919,836)	-	(919,836)
Public safety	2,843,553	-	-	(2,843,553)	-	(2,843,553)
Health and welfare	490,327	-	-	(490,327)	-	(490,327)
Highways and streets	1,532,110	-	-	(1,532,110)	-	(1,532,110)
Culture and recreation	2,330,200	-	-	(2,330,200)	-	(2,330,200)
Interest relating to long-term debt	54,289	-	-	(54,289)	-	(54,289)
Total governmental activities	11,370,464	886,523	2,313,626	(8,170,315)	-	(8,170,315)
Business-type activities:						
Joint Enterprise	7,854,595	6,592,703	1,247,412	-	(14,480)	(14,480)
Total business-type activities	7,854,595	6,592,703	1,247,412	-	(14,480)	(8,184,795)
Total primary government	\$ 19,225,059	7,479,226	3,561,038	(8,170,315)	(14,480)	(16,355,110)
General Revenues:						
Taxes				5,230,545	105,106	5,335,651
Licenses, permits, fees, and fines				674,295	-	674,295
Special Assessments				88,013	-	88,013
Contributions and donations				144,361	-	144,361
Miscellaneous				124,795	565,322	690,117
Proceeds from issuance of debt				425,567	-	425,567
Issuance cost of debt				(3,192)	-	(3,192)
Interest				4,639	3,935	8,574
Total general revenues				6,689,023	674,363	7,363,386
Change in net position				(1,481,292)	659,883	(821,409)
Net position, beginning				11,205,752	11,785,576	22,991,328
Net position, ending				\$ 9,724,460	12,445,459	22,169,919

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund 101	Non-Major Governmental Funds	Total
ASSETS			
Cash and investments	\$ 513,184	1,081,179	1,594,363
Receivables:			
Taxes	817,945	69,384	887,329
Receivables from external parties	19,153	246,543	265,696
Accounts Receivable, net allowance	334,947	-	334,947
Inventories	7,371	-	7,371
Due from other funds	362,446	-	362,446
<i>Total assets</i>	<u>2,055,046</u>	<u>1,397,106</u>	<u>3,452,152</u>
<i>Total assets</i>	<u>\$ 2,055,046</u>	<u>1,397,106</u>	<u>3,452,152</u>
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts payable	\$ 40,266	240,682	280,948
Accrued payroll liabilities	108,604	-	108,604
Due to other funds	47,000	19,373	66,373
<i>Total liabilities</i>	<u>195,870</u>	<u>260,055</u>	<u>455,925</u>
DEFERRED INFLOWS			
Real estate contract	161,524	-	161,524
Property taxes	66,096	-	66,096
<i>Total deferred inflows</i>	<u>227,620</u>	<u>-</u>	<u>227,620</u>
<i>Fund Balance:</i>			
Nonspendable - inventory	7,371	-	7,371
Restricted for:			
Special revenue funds	-	680,604	680,604
Capital projects funds	-	244,352	244,352
Debt service	-	266,581	266,581
Unassigned for:			
General fund	1,624,185	(54,486)	1,569,699
<i>Total fund balance</i>	<u>1,631,556</u>	<u>1,137,051</u>	<u>2,768,607</u>
<i>Total liabilities, deferred inflows and fund balance</i>	<u>\$ 2,055,046</u>	<u>1,397,106</u>	<u>3,452,152</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2017

Fund balances - total governmental funds	\$	2,768,607
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		15,530,956
Delinquent property taxes not collected within sixty days after year end are not available to pay for current period expenditures and, therefore, are deferred in the funds		66,096
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to employer contributions subsequent to measurement date		2,822,243
Deferred inflows of resources related to pension		(251,080)
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported in the funds:		
Accrued interest expense		(8,322)
Notes payable		(2,310,463)
Net pension liability		(8,616,299)
Compensated absences		<u>(277,278)</u>
Total net position of governmental activities	\$	<u><u>9,724,460</u></u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund 101	Non-Major Governmental Funds	Total Governmental Funds
<i>Revenues:</i>			
Taxes	\$ 4,714,646	528,853	5,243,499
Licenses, permits, fees and fines	648,692	25,603	674,295
Charges for services	701,573	184,950	886,523
Intergovernmental - state sources	675,726	1,287,225	1,962,951
Intergovernmental - federal sources	143,651	632,591	776,242.00
Special assessments	88,013	-	88,013
Contributions and donations	9,432	134,929	144,361
Investment earnings	1,699	2,940	4,639
Other	115,017	9,778	124,795
<i>Total revenues</i>	<u>7,098,449</u>	<u>2,806,869</u>	<u>9,905,318</u>
<i>Expenditures:</i>			
Current			
General government	3,052,737	259,398	3,312,135
Public safety	2,199,632	275,119	2,474,751
Health and welfare	117,160	-	117,160
Highways and streets	534,964	504,625	1,039,589
Culture and recreation	975,945	810,050	1,785,995
Capital outlay	135,747	1,961,265	2,097,012
Debt service			
Principal	-	177,073	177,073
Interest and administrative fees	-	54,637	54,637
<i>Total expenditures</i>	<u>7,016,185</u>	<u>4,042,167</u>	<u>11,058,352</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>82,264</u>	<u>(1,235,298)</u>	<u>(1,153,034)</u>
<i>Other financing sources (uses):</i>			
Proceeds from issuance of debt	-	425,567	425,567
Issuance cost of debt	-	(3,192)	(3,192)
Transfers in	520,320	544,328	1,064,648
Transfers out	(1,027,760)	(36,888)	(1,064,648)
<i>Total other financing sources (uses)</i>	<u>(507,440)</u>	<u>929,815</u>	<u>422,375</u>
<i>Net change in fund balances</i>	<u>(425,176)</u>	<u>(305,483)</u>	<u>(730,659)</u>
<i>Fund balances - beginning of year</i>	<u>2,056,732</u>	<u>1,442,534</u>	<u>3,499,266</u>
<i>Fund balances - end of year</i>	<u>\$ 1,631,556</u>	<u>1,137,051</u>	<u>2,768,607</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
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, 2017

Net change in fund balances - total governmental funds \$ (730,659)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of certain capital outlays is allocated over the estimated useful lives of the assets acquired and reported as depreciation expense. As a result, fund balance decreased by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charged for the year:

Capital expenditures	2,097,012
Depreciation expense	(1,706,961)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in property taxes receivable	(12,954)
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Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Pension expense	(796,021)
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The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Decrease in accrued interest payable	348
Decrease in bond premium	(10,116)
Increase in accrued compensated absences	(73,447)
Principal payments on notes	177,073
Loan Proceeds	<u>(425,567)</u>

Change in net position of governmental activities	\$ <u><u>(1,481,292)</u></u>
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See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original			Positive (Negative)
<i>Revenues:</i>				
Taxes	\$ 2,768,159	2,768,159	3,884,171	1,116,012
Licenses & permits	61,750	61,750	648,692	586,942
Charges for services	718,100	718,100	701,573	(16,527)
Intergovernmental	2,318,543	2,318,543	819,377	(1,499,166)
Special assessments	90,250	90,250	88,013	(2,237)
Investment earnings	1,000	1,000	1,699	699
Contributions & donations	-	-	9,432	9,432
Miscellaneous income	1,100,990	1,100,990	115,017	(985,973)
<i>Total revenues</i>	<u>7,058,792</u>	<u>7,058,792</u>	<u>6,267,974</u>	<u>(790,818)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	2,229,965	2,403,400	2,744,808	(341,408)
Public Safety	2,836,537	2,836,537	2,199,632	636,905
Culture & Recreation	1,060,096	1,060,096	975,945	84,151
Health	-	-	117,160	(117,160)
Highways and streets	892,220	892,220	534,964	357,256
<i>Noncurrent:</i>				
Capital outlay	-	-	135,747	(135,747)
<i>Total expenditures</i>	<u>7,018,818</u>	<u>7,192,253</u>	<u>6,708,256</u>	<u>483,997</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>39,974</u>	<u>(133,461)</u>	<u>(440,282)</u>	<u>(1,274,815)</u>
<i>Other financing sources (uses):</i>				
Transfers in	30,000	30,000	520,320	490,320
Transfers out	<u>(864,318)</u>	<u>(864,318)</u>	<u>(1,027,760)</u>	<u>(163,442)</u>
<i>Total other financing sources (uses)</i>	<u>(834,318)</u>	<u>(834,318)</u>	<u>(507,440)</u>	<u>326,878</u>
<i>Net change in fund balances</i>	<u>\$ (794,344)</u>	<u>(967,779)</u>	<u>(947,722)</u>	<u>20,057</u>
<i>Reconciliation to GAAP basis:</i>				
Changes in revenues			830,475	
Changes in expenses			<u>(307,929)</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(425,176)</u>	

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Statement of Net Position-Proprietary Funds
June 30, 2017

	Business-Type Activities Enterprise Fund
	Joint Utility 500
ASSETS	
<i>Current assets:</i>	
Cash and investments	\$ 1,335,739
Receivables:	
Receivables from external parties	112,546
Accounts receivable, net of allowance	1,591,311
Due from other funds	62,913
Inventories	103,483
<i>Restricted assets:</i>	
Restricted Cash	154,831
<i>Total restricted assets</i>	<u>154,831</u>
<i>Total current assets</i>	<u>3,360,823</u>
<i>Noncurrent assets:</i>	
Capital assets:	
Assets not being depreciated	
Land and water rights	337,961
Construction work in progress	301,961
Assets being depreciated	
Infrastructure	8,205,493
Buildings	24,988,992
Machinery and equipment	5,551,874
Less accumulated depreciation	<u>(21,374,962)</u>
Total capital assets, net of accumulated depreciation	<u>18,011,319</u>
<i>Total noncurrent assets</i>	<u>18,011,319</u>
Total assets	<u>21,372,142</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,164,210
Total deferred outflows of resources	<u>1,164,210</u>

CITY OF SOCORRO, NEW MEXICO
Statement of Net Position-Proprietary Funds
June 30, 2017

	Business-Type Activities Enterprise Fund
	Joint Utility
	500
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	41,145
Compensated absences current	88,729
Accrued interest payable	54,325
Deposits payable	34,168
Loans payable - current	372,354
Capital leases payable - current	87,692
Bonds payable - current	31,300
Due to other funds	358,986
Due to other governments	42,431
<i>Total current liabilities</i>	<u>1,111,130</u>
<i>Noncurrent liabilities</i>	
Loans payable - noncurrent	2,946,303
Capital leases payable - noncurrent	102,307
Bonds payable- noncurrent	1,711,500
Landfill closure costs	1,010,854
Compensated absences - noncurrent	100,187
Net pension liability	2,886,363
<i>Total noncurrent liabilities</i>	<u>8,757,514</u>
Total liabilities	<u>9,868,644</u>
DEFERRED INFLOWS OF RESOURCES	
Real estate contract	145,438
Pension related	76,811
Total deferred inflows of resources	<u>222,249</u>
NET POSITION	
Net investment in capital assets	14,692,662
Unrestricted	(2,247,203)
Total net position	<u>\$ 12,445,459</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities Enterprise Fund
	Joint Utility 500
<i>Operating revenues:</i>	
Charges for services	\$ 6,592,703
Miscellaneous	565,322
Total operating revenue	<u>7,158,025</u>
<i>Operating expenses:</i>	
Salaries & Benefits	2,536,293
Natural Gas Purchases	1,079,692
Other operating expense	2,564,695
Payment in lieu of taxes	257,865
Depreciation	1,326,264
Total operating expenses	<u>7,764,809</u>
Operating loss	(606,784)
<i>Non-operating revenue (expenses)</i>	
Intergovernmental - federal sources	441,894
Intergovernmental - state sources	805,518
Gross Receipts tax - dedicated	105,106
Interest income	3,935
Interest expense	(89,786)
<i>Net non-operating revenue</i>	<u>1,266,667</u>
Income before transfers	659,883
Transfers in	4,018,351
Transfers out	(4,018,351)
Net transfers	<u>-</u>
<i>Change in Net Position</i>	<u>659,883</u>
Net position - beginning of year	<u>11,785,576</u>
Net position - end of year	<u>\$ 12,445,459</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities
	Enterprise Fund
	Joint Utility 500
	<hr/>
Cash Flows From Operating Activities	
Cash received from customers and others	\$ 6,822,926
Cash payments to vendors and employees	(6,368,116)
	<hr/>
Net cash provided by operating activities	454,810
	<hr/>
Cash Flows From Non-Capital Financing	
Gross receipts tax - dedicated	105,106
	<hr/>
Net cash provided (used) by non-capital financing activities	105,106
	<hr/>
Cash Flows From Capital and Related Financing Activities	
Capital grants and contributions	1,247,412
Loan proceeds	810,929
Principal payments on long-term debt	(441,124)
Interest paid	(89,786)
	<hr/>
Purchases of capital assets	(1,720,239)
	<hr/>
Net cash provided by capital and related financing activities	(192,808)
	<hr/>
Cash Flows From Investing Activities	
Interest income	3,935
	<hr/>
Net cash provided by investing activities	3,935
	<hr/>
Net increase in cash and cash equivalents	371,043
Cash and cash equivalents, beginning of year	1,119,527
	<hr/>
Cash and cash equivalents, end of year	\$ 1,490,570
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (606,784)
Adjustments to operating (loss) to net cash provided by operating activities:	
Depreciation	1,326,264
Loan Refinance Cost	63,000
Pension Expense	321,229
Change in assets and liabilities:	
Receivables	(315,422)
Inventories	(19,677)
Accounts Payable	(331,109)
Compensated Absences	32,038
Accrued Interest	(1,999)
Deposits Payable	(55,161)
Due to Other Governments	42,431
	<hr/>
Net cash provided by operating activities	\$ 454,810
	<hr/> <hr/>

See Notes to Financial Statements.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Socorro, New Mexico (the “City”) was incorporated in 1870 under the laws of the State of New Mexico. 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.

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

The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. As required by GAAP, the financial statements present the City and entities for which the City is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2017.

The government-wide financial statements report information on all of the non-fiduciary activities of the City. Where appropriate, the effect of interfund activity has been removed from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities, and deferred inflows and outflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principle ongoing operations.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 recorded.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The City follows the following revenue recognition principles applied to non-exchange transactions which are in Accordance with GASB Statement 33, *Accounting and Reporting for Non-exchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes and cigarette taxes.

Imposed non-exchange revenue – property taxes are levied and collected by the Colfax County treasurer on behalf of the City. The taxes are levied in November and payable in two installments, November 10 and April 10. The County remits to the City a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty and interest 30 days after the date on which they are due.

Imposed non-exchange revenue other than property taxes is recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated non-exchange transactions and voluntary non-exchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds financial statements are reported using the measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The City reports the following fund types:

General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important functions of the City, including the City's general services and administration, are accounted for in this fund.

Special Revenue Funds are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those constructed for proprietary funds.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term principal, interest and related costs.

The **Proprietary Funds** are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Investments

Cash includes amounts in demand deposits, CDs 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 value.

Investments are stated at fair value that is determined using selected bases. Investments with managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset into three levels:

Level 1: inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date (June 30th of that year).

Level 2: inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3: are unobservable inputs for an asset or liability. The City measures level 3 inputs using other valuation techniques that attempts to maximize the use of relevant observable inputs and maximizes the use of unobservable inputs.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

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.

Inventory

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.

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 accrued 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 sale, the principal on the real estate contracts are recorded as unearned revenue.

Capital Assets

Capital assets, which include software, library books, property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure assets have high limits that must be met before they are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 – 40 years
Data Processing Equipment	3 years
Software	5 years
Office Equipment	5 years
Motor Vehicles	5 years
Office Furniture	10 years
Non Office Equipment and Ambulance	10 years
Fire Truck, Facility Improvements	20 years

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Compensated Absences

The City 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.

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are non-spendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Non-spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

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

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City, or a management official delegated that authority by the formal City action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other Interfund transfers are reported as operating transfers. All Interfund activity has been eliminated at the government wide level.

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. Net position is reported as restricted when there are limitation imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position components that do not meet the definition of “restricted” or “net investment in capital assets, net of related debt” are included in unrestricted net position. The Government-wide Statement of Net Position reports \$1,442,534 of governmental activities restricted net position of which \$1,019,892 is restricted by enabling legislation.

Cash Flows

For purposes of the Statement of Cash Flows, all highly liquid assets with a maturity of three months or less are considered to be cash equivalents.

Budgetary Information

Actual amounts on the budgetary basis are prepared on the GAAP basis of accounting, which recognizes revenues when earned and expenditures when incurred. Annual budgets are adopted for the general, special revenue, capital projects and enterprise funds. The City follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them based on previous years’ 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 a resolution.
2. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico State Department of Finance, Division of Local Governments.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund and enterprise funds.
4. The level of classification detail in which expenditures or expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

Use of Estimates in Preparing Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

The collateral pledged is listed on Page 26 in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

At June 30, 2017, 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 and Bank of America Merrill Lynch secured by the United States government. Following is a schedule as of June 30, 2017, 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.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

	Balance Per Bank 6-30-17	Add Deposits In Transit	Less Outstanding Checks	Balance Per Books 6-30-17
Deposits				
First State Bank Socorro				
Operating Account	\$ 766,905	19,681	711,457	75,129
Investment Account	859,168	-	-	859,168
Payroll Account	83,010	-	77,735	5,275
E-Pay Account	29,587	872	-	30,459
CDBG Drainage Account	8,246	-	-	8,246
Washington Federal				
Stellar Business Int. Account	51,845	68	-	51,913
Total Deposits	<u>1,798,761</u>	<u>20,621</u>	<u>789,192</u>	<u>1,030,190</u>
Investments				
NM Finance Authority	1,296,430	-	-	1,296,430
Wells Fargo Brokerage	757,313	-	-	757,313
Total Investments	<u>2,053,743</u>	<u>-</u>	<u>-</u>	<u>2,053,743</u>
Cash on Hand (Petty Cash)	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Cash and Investments	<u>\$ 3,853,504</u>	<u>20,621</u>	<u>789,192</u>	<u>3,084,933</u>

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are: 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. 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.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk—Deposits (Continued)

	<u>First State</u>	<u>Washington Federal</u>	<u>Total</u>
Deposits			
First State	\$ 1,746,916	-	1,746,916
Washington Federal	-	51,845	51,845
	<u>1,746,916</u>	<u>51,845</u>	<u>1,798,761</u>
Total Deposits			
	<u>1,746,916</u>	<u>51,845</u>	<u>1,798,761</u>
Less: FDIC Insurance	<u>(250,000)</u>	<u>(51,845)</u>	<u>(301,913)</u>
Total Uninsured and uncollateralized	<u>1,548,761</u>	<u>-</u>	<u>1,548,761</u>
Pledged 50% Collateral Required-	774,381	-	774,381
Pledged Collateral:			
FCSB 24 BF 07/22/24 #3133EEB33	900,000	-	900,000
FCSB 25 G 04/16/25 #31331VKU9	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Pledged Collateral at June 30, 2017	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>
Over/(Under) Insured	<u>\$ 625,619</u>	<u>-</u>	<u>625,619</u>

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account in accordance with Section 6-10-17 NMSA 1978. See page 25 for a reconciliation of bank to book balances.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the investment in a single issuer. The City has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

As of June 30, 2017, the State Treasurer Local Government Investment Pool (LGIP) was rated by Standard's & Poor's as AAAM. At June 30, 2017, the City had \$485,501 in the LGIP. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. Investments in the LGIP are on the following page:

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

NMFA LGIP Account Name		Fair Market Value
NMFA Landfill Reserve	\$	26,492
NMFA Landfill Intercept		18,821
NMFA HS Rd Reserve		8,560
NMFA HS Rd Intercept		9,882
NMFA Infrastructure Intercept		51,405
NMFA Infrastructure Reserve		96,111
NMFA Landfill Reserve May 09		78,483
NMFA New Landfill Cell		23,414
NMFA Fire Station		165
NMFA Automated Read Meter Loan Pmt		4,757
NMFA Rodeo Sports Facility Reserve		81,070
NMFA Rodeo Sports Facility		15,454
NMFA Water Line		4,757
NMFA Gas Valve Reserve		57,502
NMFA Gas Valve Replacement		8,628
Total	\$	485,501

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.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

At June 30, 2017, investments were measured at fair value using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by fair value level				
Wells Fargo	\$ 757,313	-	-	757,313
NM Finance Authority	-	-	1,296,430	1,296,430
	<u>\$ 757,313</u>	<u>-</u>	<u>1,296,430</u>	<u>2,053,743</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 \$757,313. The City does not have a formal investment policy to limit this risk. At June 30, 2017, the LGIP WAM (R) is 58 days and WAM (F) was 106 days.

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 & Pools.

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.

The New Mexico State Treasurer is responsible for approving all changes in the pledged collateral and monitoring the collateral requirements for all deposits maintained by the State Treasurer. The State Treasurer’s Office issues separate financial statements which disclose the collateral pledged to secure those deposits.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Governmental accounts receivables – customers represent billings for ambulance transport services. Business-Type Activities accounts receivable – customers represents billings for water, waste water and solid waste fees. It is management’s policy to cut off water and waste water service for non-payment. A lien is place on the properties which have outstanding balances. Accounts receivable is comprised of the following at June 30, 2017:

<u>Accounts Receivable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Accounts Receivable - Customers	\$ 1,219,325	1,630,068	2,849,393
Less Allowance for uncollectible	884,378	59,041	943,419
Net Accounts Receivables	<u>334,947</u>	<u>1,571,027</u>	<u>1,905,974</u>
Intergovernmental:			
Joint Enterprise Fund	-	132,830	132,831
General Fund	837,098	-	837,098
Juvenile Justice Grant Fund	24,774	-	24,774
Convention Center Fund	12,901	-	12,901
Airport Construction Fund	221,770	-	221,770
INRF Loan Intercept/Reserve	19,553	-	19,553
Total Intergovernmental Rec.	<u>1,116,096</u>	<u>132,830</u>	<u>1,248,926</u>
Receivable from external parties:			
Lodgers Tax	36,929	-	36,929
Total Taxes Receivable	<u>36,929</u>	<u>-</u>	<u>36,929</u>
Total Accounts Receivable	<u>\$ 1,487,972</u>	<u>1,703,857</u>	<u>3,191,829</u>

Management has determined that all receivables in excess of 120 days comprise the allowance for uncollectible accounts.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 4 – CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities	6/30/2016 Balance	Additions	Deletions	Reclassifications and Transfers	6/30/2017 Balance
Capital assets not being depreciated:					
Land	\$ 301,819	-	-	-	301,819
Construction in progress	330,350	-	-	(330,350)	-
Total capital assets not being depreciated	632,169	-	-	(330,350)	301,819
Capital assets being depreciated:					
Buildings	12,043,682	805,930	-	-	12,849,612
Vehicles and equipment	7,395,618	415,611	-	-	7,811,229
Infrastructure	11,372,070	875,471	-	330,350	12,577,891
Total capital assets being depreciated	30,811,370	2,097,012	-	330,350	33,238,732
Less accumulated depreciation for:					
Buildings and improvements	6,042,741	580,213	-	-	6,622,954
Vehicles and equipment	5,793,189	421,522	-	-	6,214,711
Infrastructure	4,466,704	705,226	-	-	5,171,930
Total accumulated depreciation	16,302,634	1,706,961	-	-	18,009,595
Total capital assets being depreciated, net	14,508,736	390,051	-	-	15,229,137
Governmental activities	\$				
capital assets, net	15,140,905	390,051	-	-	15,530,956

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Business-type Activities	6/30/2016 Balance	Additions	Deletions	6/30/2017 Balance
Capital assets not being depreciated:				
Land	\$ 337,961	-	-	337,961
Construction in progress	<u>301,961</u>	-	-	<u>301,961</u>
Total capital assets not being depreciated	639,922	-	-	639,922
Capital assets being depreciated:				
Plant and equipment	<u>37,026,120</u>	<u>1,720,239</u>	-	<u>38,746,359</u>
Total capital assets being depreciated	<u>37,026,120</u>	<u>1,720,239</u>	-	<u>38,746,359</u>
Less accumulated depreciation for:				
Plant and equipment	<u>20,048,699</u>	<u>1,326,263</u>	-	<u>21,374,962</u>
Total accumulated depreciation	<u>20,048,699</u>	<u>1,326,263</u>	-	<u>21,374,962</u>
Total capital assets being depreciated, net	<u>16,977,421</u>	<u>393,976</u>	-	<u>17,371,397</u>
Business-type activities capital assets, net	<u>\$ 17,617,343</u>	<u>393,976</u>	-	<u>18,011,319</u>

Governmental activities:

General government	\$ 420,848
Judicial	18,697
Public safety	373,167
Public works	492,521
Culture and recreation	401,728
Total depreciation expense	<u>\$ 1,706,961</u>

Business-type activities:

Natural Gas	\$ 117,919
Waste water	605,237
Solid waste	290,644
Water	312,463
Total depreciation expense	<u>\$ 1,326,263</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS

Summary of governmental activity long term obligations:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans Payable	\$ 2,061,969	425,567	177,073	2,310,463	216,308
Compensated Absences	203,831	290,070	216,623	277,278	212,374
Total	\$ 2,265,800	715,637	393,696	2,587,741	429,682

Compensated absences related to employees of a given fund are liquidated with money from that fund. Payroll is tracked on a per-fund basis. The majority of compensated absences will be liquidated with money from the general fund.

Management records the pledged revenue related to the debt in another fund and transfer funds to the debt service fund for principal and interest payments.

Governmental Funds -Loans Payable

High School Road /Michigan Avenue Construction

On September 27, 2002 the City obtained a loan from the New Mexico Finance Authority in the amount of \$308,461, and bears interest at 3.554%, with payments due on May 1st and November 1st, maturing May 1, 2022. The loan is for the purpose of street Construction on High School Road. Revenues pledged to service this loan are the first two increments of the Municipal Infrastructure GRT pursuant to section 7-1-6.15 and 7-19D-11 and City ordinance No. 01-09-17. The future requirements for the loan are as follows:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	18,432	3,446	21,878
2019		19,106	2,820	21,926
2020		19,811	2,163	21,974
2021		20,550	1,475	22,025
2022		18,205	754	18,959
Totals	\$	96,104	10,658	106,762

Infrastructure Projects

In March, 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 and matures on May 1, 2021. Revenue pledged to service this loan are from State-shared GRT 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. The future requirements for the loan are as follows:

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	82,650	11,648	94,298
2019		85,556	8,956	94,512
2020		88,612	6,122	94,734
2021		91,824	3,140	94,964
Totals	\$	<u>348,642</u>	<u>29,866</u>	<u>378,508</u>

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. The loan was finalized on September 3, 2010, with the City borrowing \$309,575. The note bears interest at 2.392% with principal payments due annually in May and semi-annual interest payments due in November and May, maturing on May 1, 2021. The payment of 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 NMFA.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	31,552	3,668	35,220
2019		32,338	2,882	35,220
2020		33,201	2,019	35,220
2021		34,153	1,069	35,222
Totals	\$	<u>131,244</u>	<u>9,638</u>	<u>140,882</u>

Rodeo Sports Facility

The City entered into a loan agreement with the New Mexico Finance Authority (NMFA) to borrow funds for the construction of rodeo and sports facilities. The loan was finalized on June 14, 2013, with the City borrowing \$1,495,751. The note bears interest at 2.344%, with an annual interest payment due in May and interest payments due in May and November of each year, maturing on May 1, 2038. Lodger's tax revenues of approximately 3% are the pledged revenues for this loan.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	48,962	29,860	78,822
2019		49,471	29,400	78,871
2020		50,125	28,796	78,921
2021		50,937	28,035	78,972
2022		51,884	27,192	79,076
2023-2027		278,325	117,587	395,912
2028-2032		321,090	76,293	397,383
2033-2037		378,061	21,037	399,098
2038		80,051	-	80,051
Totals	\$	<u>1,308,906</u>	<u>358,200</u>	<u>1,667,106</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Fire Truck

The City entered into a loan agreement with the New Mexico Finance Authority (NMFA) to borrow funds for the purchase of a new fire truck for the City. The loan was finalized on June 9, 2017, with the City borrowing \$425,567. The note bears interest at 0.925819%, with an annual principal and interest payments due in May of each year, maturing on May 1, 2027. The payments of this loan are to be made solely from the Pledged Revenues, special reserve funds of the Finance Authority, or the proceeds of refunding bonds or other refunding obligations.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 34,712	298	35,010
2019	11,790	8,010	19,800
2020	18,667	4,096	22,760
2021	18,899	3,861	22,760
2022	54,392	3,591	57,983
2023-2027	287,107	5,375	292,482
Totals	\$ 425,567	25,231	450,798

Summary of Business-type long term obligations:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans Payable	\$ 2,838,313	810,929	330,585	3,318,657	372,354
Bonds Payable	1,773,000	-	30,200	1,742,800	31,300
Capital Lease	270,338	-	80,339	189,999	87,692
Compensated Absences	137,662	159,831	108,577	188,916	88,729
Total	\$ 5,019,313	970,760	549,701	5,440,372	580,075

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 6, 2002, with the City borrowing \$526,185. The note bears interest at 4.248%, which includes the NMFA administrative expense of 0.25%. Principal payments on the loan are due on May 1st and interest payments are due May 1st November 1st, maturing on May 1, 2022. Revenues pledged for the payment of this loan are the Municipal Environment Services GRT pursuant to section 7-19D-10 and 7-1-6.15, and City resolution No. 02-06-17-1.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 31,924	7,379	39,303
2019	33,333	6,053	39,386
2020	34,818	4,654	39,472
2021	36,381	3,180	39,561
2022	38,024	1,631	39,655
Totals	\$ 174,479	22,897	197,376

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

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 May 1st and November 1st, maturing on May 1, 2029.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	50,060	27,515	77,575
2019		51,418	26,157	77,575
2020		52,925	24,649	77,574
2021		54,612	22,962	77,574
2022		56,450	21,124	77,574
2023-2027		315,845	72,029	387,874
2028-2029		145,447	9,702	155,149
Totals	\$	726,757	204,138	930,895

Wastewater Treatment Plant

The City entered into a loan agreement with the New Mexico Environment Department, 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, maturing April 30, 2018. On May 11, 2001, the City refinanced the loan. The refinanced note 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 paid solely from the net revenues of the system.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	143,839	2,877	146,716
Totals	\$	143,839	2,877	146,716

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 on 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, maturing in December 2029.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	3,754	-	3,754
2019		3,754	-	3,754
2020		3,754	-	3,754
2021		3,754	-	3,754
2022		3,754	-	3,754
2023-2027		18,770	-	18,770
2028-2030		11,258	-	11,258
Totals	\$	48,798	-	48,798

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Drinking Water Replacement of Meter Readers

The City entered into a loan agreement with the New Mexico Finance Authority 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 0.25% and payments of \$18,854 are due annually in June, maturing in May 2024.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	18,266	322	18,588
2019		18,312	276	18,588
2020		18,358	231	18,589
2021		18,403	185	18,588
2022		18,450	139	18,589
2023-2024		37,038	139	37,177
Totals	\$	128,827	1,292	130,119

Drinking Water System Improvement Project

The City entered into a loan agreement with the New Mexico Finance Authority to finance the design, acquisition, construction, improvement, expansion, and repair of drinking water systems for the community on June 28, 2014. The project is underway and the loan amount to date is \$436,863 with a maximum loan amount of \$484,000. The loan bears an interest rate of 0.25%, and matures in April 2036.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	23,739	1,052	24,791
2019		23,798	1,084	24,881
2020		23,857	1,024	24,881
2021		23,917	964	24,881
2022		23,977	905	24,882
2023-2027		120,786	3,621	124,407
2028-2032		122,304	2,104	124,408
2033-2036		98,756	578	99,334
Totals	\$	461,134	11,331	472,465

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Wastewater Collection System Expansion

The City entered into a loan agreement with the New Mexico Environment Department for the purpose of wastewater system expansion to residents who are currently using aged septic tanks and other systems for their wastewater disposal. The loan was finalized May 6, 2015 with the City borrowing \$950,000. The project is complete and the loan bears interest at 0% with annual payments of \$47,500, maturing March 2035.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 47,500	-	47,500
2019	47,500	-	47,500
2020	47,500	-	47,500
2021	47,500	-	47,500
2022	47,500	-	47,500
2023-2027	237,500	-	237,500
2028-2032	237,500	-	237,500
2033-2035	142,500	-	142,500
Totals	\$ 855,000	-	855,000

Gas Valve Project

The City entered into a loan agreement with the New Mexico Finance Authority for the purpose of financing costs associated with natural gas transmission line replacement. The loan was finalized September 30, 2016 with the City borrowing \$810,929. The loan has a blended rate of 0.246972%. Principal and interest payments on the loan are due May 1st and November 1st, maturing on May 1, 2031.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 53,272	2,315	55,587
2019	53,650	1,990	55,640
2020	54,068	1,625	55,693
2021	54,069	1,198	55,747
2022	55,106	696	55,802
2023-2027	282,008	112	282,120
2028-2031	227,170	-	227,170
Totals	\$ 779,823	7,936	787,759

Revenue Bonds Payable

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>Maturity</u>	<u>Interest rate</u>	<u>Balance</u>
2010 Joint Utility System	\$ 132,000	2/19/2050	2.625%	\$ 117,800
2011A Joint Utility System	515,000	8/4/2051	2.500%	475,000
2013A Joint Utility System	1,230,000	1/18/2053	2.500%	1,150,000
Improvement Revenue Bonds - Total				<u>\$ 1,742,800</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Amortizations on these bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,300	3,100	5,400
2019	2,300	3,100	5,400
2020	2,400	3,000	5,400
2021	2,400	3,000	5,400
2022	2,500	2,900	5,400
2023-2027	13,600	13,400	27,000
2028-2032	15,400	11,600	27,000
2033-2037	17,500	9,500	27,000
2038-2042	20,000	7,000	27,000
2043-2047	22,700	4,300	27,000
2048-2050	16,700	1,100	17,800
Totals	\$ 117,800	62,000	179,800

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,000	11,900	20,900
2019	9,000	11,700	20,700
2020	9,000	11,500	20,500
2021	9,000	11,200	20,200
2022	10,000	11,000	21,000
2023-2027	52,000	51,300	103,300
2028-2032	58,000	44,500	102,500
2033-2037	67,000	36,800	103,800
2038-2042	75,000	28,000	103,000
2043-2047	84,000	18,300	102,300
2048-2052	93,000	7,200	100,200
Totals	\$ 475,000	243,400	718,400

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,000	28,750	48,750
2019	20,000	28,250	48,250
2020	20,000	27,750	47,750
2021	20,000	27,250	47,250
2022	20,000	26,750	46,750
2023-2027	100,000	126,250	226,250
2028-2032	150,000	111,250	261,250
2033-2037	150,000	92,500	242,500
2038-2042	170,000	73,500	243,500
2043-2047	200,000	50,000	250,000
2048-2052	220,000	24,750	244,750
2053	60,000	1,500	61,500
Totals	\$ 1,150,000	618,500	1,768,500

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases

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.

The future requirements for capital leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 87,692	4,277	91,969
2019	87,692	1,959	89,651
2020	14,615	58	14,673
Total	\$ 189,999	6,294	196,293

Accrued Compensated Absences

It is the policy of the City to grant each permanent and probationary full-time employee annual leave based on the following schedule. Any unused leave which an employee may accrue is 200 hours.

<u>Total Years of Service</u>	<u>Yearly Accumulation</u>
0 – 5 (inclusive)	10 days
6 – 19 (inclusive)	15 days
20 or more	18 days

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 \$1,010,854 reported as landfill closure liability (includes: landfill closure, post closure care, phase I and phase II assessments and corrective action costs) at June 30, 2017, 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. The current site was closed in 2014.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 6 – INTERFUND BALANCES

The following are amounts owed between funds and are classified as due from/to other funds at June 30, 2017:

<u>Due From Other Funds</u>	<u>Amount</u>	<u>Due To Other Funds</u>	<u>Amount</u>
Major Governmental Funds:		Major Governmental Funds:	
General Fund	\$ 362,446	General Fund	\$ 47,000
Total Major Governmental Funds	\$ 362,446	Total Major Governmental Funds	\$ 47,000
		Nonmajor Governmental Funds:	
		Rodeo Arena Fund	\$ 19,373
		Total Nonmajor Governmental Funds	\$ 19,373
Enterprise Funds:		Enterprise Funds:	
Joint Enterprise Fund	\$ 62,913	Joint Enterprise Fund	\$ 358,986
Total Enterprise Funds	\$ 62,913	Total Enterprise Funds	\$ 358,986
Grand Total	\$ 425,359	Grand Total	\$ 425,359

NOTE 7– INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Major Funds	Transfers In	Transfers Out
<i>Governmental Activities</i>		
General	\$ 520,320	\$ 1,027,760
<i>Business-type Activities</i>		
Joint Enterprise	4,018,351	4,018,351
Total Major Funds	<u>4,538,671</u>	<u>5,046,111</u>
Non-Major Funds	544,328	36,888
	<u>\$ 5,082,999</u>	<u>\$ 5,082,999</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Benefits Provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Contributions. The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution requirements in effect for fiscal year 2015 for the various PERA coverage options, for both Tier 1 and Tier II, see the tables available in the note disclosures of the PERA 2016 annual audit report at http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf. The PERA coverage options that apply to the Village are Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the Village were \$60,031 there were no employer paid member benefits that were “picked up” by the employer were for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted accounting principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense, and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The Village’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2016.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2017, the City reported a liability of \$6,087,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City’s proportion was 0.3810 %, which was an increase of 0.0059% from its proportion measured as of June 30, 2015.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal Plan pension expense of \$676,234. At June 30, 2017, the City reported PERA Fund Division Municipal Plan deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 304,137	59,407
Changes in assumptions	356,937	1,012
Net difference between projected and actual earnings on pension plan investments	1,120,014	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	101,570
City's contributions subsequent to the measurement date	<u>674,134</u>	<u>-</u>
Total	<u><u>\$ 2,455,222</u></u>	<u><u>161,989</u></u>

\$674,134 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 335,461
2019	335,461
2020	666,141
2021	282,036
2022	-
Total:	<u><u>\$ 1,619,099</u></u>

For PERA Fund Division Municipal Police Plan, at June 30, 2017, the City reported a liability of \$2,296,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.3113%, which was an decrease of 0.005% from its proportion measured as of June 30, 2015.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal Police Plan pension expense of \$307,403. At June 30, 2017, the City reported PERA Fund Division Municipal Police Plan deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 168,624	-
Changes in assumptions	152,131	41,423
Net difference between projected and actual earnings on pension plan investments	363,262	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	94,361
City's contributions subsequent to the measurement date	<u>143,593</u>	<u>-</u>
Total	<u>\$ 827,610</u>	<u>135,784</u>

\$143,593 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	113,280
2019		113,280
2020		229,252
2021		92,421
2022		-
Total:	\$	<u>548,233</u>

For PERA Fund Division Municipal Fire Plan, at June 30, 2017, the City reported a liability of \$3,118,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.4675%, which was an increase of 0.0008% from its proportion measured as of June 30, 2015.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal Fire Plan pension expense of \$392,407. At June 30, 2017, the City reported PERA Fund Division Municipal Fire Plan deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 141,229	-
Changes in assumptions	164,967	-
Net difference between projected and actual earnings on pension plan investments	259,772	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	2,934	30,118
City's contributions subsequent to the measurement date	<u>134,719</u>	<u>-</u>
Total	<u>\$ 703,621</u>	<u>30,118</u>

\$134,719 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 144,206
2019	144,206
2020	183,008
2021	67,364
2022	-
Total:	<u>\$ 538,784</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level of percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for health post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00%	

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 8 – PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division Municipal Plan

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City’s proportionate share of the net pension liability	<u>\$ 9,075,321</u>	<u>6,087,098</u>	<u>3,608,515</u>

PERA Fund Division Municipal Police Plan

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City’s proportionate share of the net pension liability	<u>\$ 3,379,257</u>	<u>2,296,864</u>	<u>1,411,593</u>

PERA Fund Division Municipal Fire Plan

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City’s proportionate share of the net pension liability	<u>\$4,079,244</u>	<u>3,118,700</u>	<u>2,329,714</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

The City does not participate in the Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978), but provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

NOTE 10 – 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 and natural disasters for which the government carries commercial insurance. The City participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims. In addition, the City has obtained insurance through a commercial carrier operating as a common risk management and insurance program. The City pays an annual premium to a commercial carrier for its general coverage and all risk of loss is transferred.

The City had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2017, 2016 and 2015, there were no settlements that exceeded insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 11– COMMITMENTS AND CONTINGENCIES

Litigation

The City is from time to time the defendant in various lawsuits. For fiscal year end June 30, 2017, there were no such lawsuits pending or ongoing.

Grant Compliance

The City receives significant financial assistance from the State Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable state regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2017, management estimates that no material liabilities will result from such audits.

Commitments

The City contracts with outside vendors for construction projects. At June 30, 2017, the total amount of contracts outstanding for capital projects could not be determined by the City.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 12 - RELATED PARTY TRANSACTIONS

The City's mayor, council members, and employees own various businesses in their local area. For the year ending June 30, 2016, the City paid Best Western Socorro – Hotel and Suites \$1,659 for room rentals and Bhasker Medical Clinic \$6,002 for the drug screening of the City's new hires, both of which are owned by Mayor Ravi Bhasker; the City paid C Bar D Trailer Sales and Service \$12,106 for repair work which is owned by City Administrator Donald Monette; the City paid Ernest Pargas Sr. Welding \$1,874 for diesel mechanic services which is owned by Council Member Ernest Pargas Sr.; the city paid Hicks Paint & Body \$4,394, owned by Council Member Gordon Hicks, for body work and towing services; the City paid Toby Jaramillo, Council Member, \$900 for band services; the City paid Sofia's Kitchen \$610, owned by the family of Bobbi Gonzales, Tourism/GL Clerk, for catering services; the City paid Trujillo Signs \$5,230, owned by Rick Trujillo, Compliance Officer, for embroidery services; and the City paid Anthony Lukesh Suavacito, related to Jeanette Lukesh, A/P Clerk, \$1,200 for contracted janitorial services as well as Carl Lukesh, related to Jeanette Lukesh, \$15,300 for contracted janitorial services.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2017

NOTE 13 – CAPITAL OUTLAY APPROPRIATIONS

Capital outlay appropriations are as follows:

Capital Project	Project Appropriations	2017 Expenditures	Expenditures To Date	Project Funds Outstanding	Appropriation Period
RODEO/CONV CTR-14L2008	\$ 300,000	-	297,000	3,000	9/9/14 to 6/30/18
WWTP/COLLECTION SYSTEM	\$ 400,000	139,866	382,847	17,153	10/18/14 to 6/30/18
RODEO/CONV CTR-15-0868	\$ 445,000	333,825	445,000	-	6/15/16 to 12/7/16

NOTE 14 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 15, 2017 which is the date on which the financial statements were issued.

Note 15 – DEFICIT FUND BALANCE

The following fund had a deficit fund balance at June 30, 2017:

Street Improvement Fund (309) \$ 57,486

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCORRO, NEW MEXICO
Schedule of the City's Proportionate Share of the Net Pension Liability
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data*
(Dollars in Thousands)

	2015	2016	2017
City's Proportion of the Net Pension Liability (Asset)	1.2226%	1.1699%	0.19%
City's Proportionate Share of Net Pension Liability (Asset)	\$ 6,224	7,874	11,476
City's Covered-Employee Payroll	\$ 6,552	8,084	4,580
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	94.99%	97.40%	250.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.29%	76.99%	69.18%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data*
General, Police and Fire Divisions Combined Summary
(Dollars in Thousands)

	2017	2016	2015
Statutory Required Contribution	\$ 565	906	920
Contributions in Relation to the Statutorily Required Contribution	565	906	920
Annual Contribution Deficiency (Excess)	-	-	-

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data
General Division
(Dollars in Thousands)

	2017	2016	2015
Statutory Required Contribution	\$ 326	590	638
Contributions in Relation to the Statutorily Required Contribution	326	590	638
Annual Contribution Deficiency (Excess)	-	-	-

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data
Police Division
(Dollars in Thousands)

	2017	2016	2015
Statutory Required Contribution	\$ 115	170	141
Contributions in Relation to the Statutorily Required Contribution	115	170	141
Annual Contribution Deficiency (Excess)	-	-	-

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2017

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data
Fire Division
(Dollars in Thousands)

	2017	2016	2015
Statutory Required Contribution	\$ 124	160	127
Contributions in Relation to the Statutorily Required Contribution	124	160	127
Annual Contribution Deficiency (Excess)	-	-	-

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective

CITY OF SOCORRO, NEW MEXICO
Notes to Required Supplementary Information
June 30, 2017

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

Assumptions. The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

SUPPLEMENTARY INFORMATION

CITY OF SOCORRO, NEW MEXICO
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS:

Sedillo Park Renovations Fund - 107

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.

Correctional Fees Fund - 201

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.

Emergency Medical Services Fund - 206

To account for all rescue operations undertaken by the Fire Department and funded through State grants. The fund was established by sections 24-10A-1 through 24-10A-10 NMSA, 1978.

State Fire Protection Fund - 209

To account for the operations and maintenance of the Fire Department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. The fund was established by section 59-A-53-1 NMSA, 1978.

Law Enforcement Protection Fund - 211

To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is section 29-13-14 NMSA, 1978.

Lodgers Tax Fund - 214

To account for lodgers tax collections. The tax is to be used for anything associated with tourist related facilities, attractions, and transportation systems. The fund was established by section 3-38-14 NMSA, 1978.

Lodgers Tax Promotional Fund - 215

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.

Recreation Fund - 217

To account for City revenues and expenditures relating to recreational facilities and sports and recreation programs. The monetary funds to support the activities carried out in this fund come from the State. The fund was established by section 7-12-15 NMSA, 1978.

Library Trustee Fund - 218

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.

CITY OF SOCORRO, NEW MEXICO
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS:

Juvenile Justice Grant Fund - 241

To account for grant funds used for programs and workshops administered for the benefit of the youth.

Convention Center Fund – 250

To account for the costs for design, construction, equipping, furnishing, landscaping, operation and maintenance of the convention center. Financing is provided by a fee charged to each lodger for each day the room within city limits is occupied by a vendor not otherwise exempted by the Act. New Mexico Legislature enacted the Convention Center Financing Act during 2003 Legislative Session and requires the tax to be used in this manner.

Solano Economic Development Fund – 252

To promote economic development through the expansion of Solaro Energy, Inc., thereby causing the creation of twenty-five new direct jobs, as well as additional construction and temporary jobs.

CAPITAL PROJECTS FUNDS:

The following capital project funds were established for various construction projects and authorized by the City Council.

Airport Improvement Fund - 304

To account for resources received and used for improvements to the municipal airport. Resources for the projects are provided by an FAA Grant, NM Aviation Division Grant and City matching funds.

Street Improvement Fund - 309

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 Area Fund – 311

To account for improvements and facilities to the arena and convention center. Resources for this project are provided by federal and state funding in addition to loans and transfers from the General Fund.

CDBG Cuba Road Phase II – 315

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 – 403

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.

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 606,000	228,151	247,028	1,081,179
Receivables:				
Taxes	49,830	-	19,554	69,384
Receivables from external parties	24,774	221,770	(1)	246,543
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>680,604</u>	<u>449,921</u>	<u>266,581</u>	<u>1,397,106</u>
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts payable	-	240,682	-	240,682
Accrued payroll liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other external parties	-	-	-	-
Due to other funds	-	19,373	-	19,373
<i>Total liabilities</i>	<u>-</u>	<u>260,055</u>	<u>-</u>	<u>260,055</u>
<i>Fund Balance:</i>				
Nonspendable - inventory	-	-	-	-
Restricted for:				
Special revenue funds	680,604	-	-	680,604
Capital projects funds	-	244,352	-	244,352
Debt service	-	-	266,581	266,581
Unassigned for:				
General fund	-	(54,486)	-	(54,486)
<i>Total fund balance (deficit)</i>	<u>680,604</u>	<u>189,866</u>	<u>266,581</u>	<u>1,137,051</u>
<i>Total liabilities and fund balance</i>	<u>\$ 680,604</u>	<u>449,921</u>	<u>266,581</u>	<u>1,397,106</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<i>Revenues:</i>				
Taxes	\$ 391,972	-	136,881	528,853
Licenses, permits, fees and fines	25,603	-	-	25,603
Charges for services	184,950	-	-	184,950
Intergovernmental - state sources	333,634	953,591	-	1,287,225
Intergovernmental - federal sources	102,055	530,536	-	632,591
Special assessments	-	-	-	-
Contributions and donations	-	134,929	-	134,929
Investment earnings	232	-	2,708	2,940
Other	9,778	-	-	9,778
<i>Total revenues</i>	<u>1,048,224</u>	<u>1,619,056</u>	<u>139,589</u>	<u>2,806,869</u>
<i>Expenditures:</i>				
Current				
General government	258,583	2	813	259,398
Public safety	275,119	-	-	275,119
Highways and streets	-	504,625	-	504,625
Culture and recreation	810,050	-	-	810,050
Capital outlay	733,375	1,227,890	-	1,961,265
Debt service				
Principal	79,399	-	97,674	177,073
Interest and administrative fees	35,139	-	19,498	54,637
<i>Total expenditures</i>	<u>2,191,665</u>	<u>1,732,517</u>	<u>117,985</u>	<u>4,042,167</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,143,441)</u>	<u>(113,461)</u>	<u>21,604</u>	<u>(1,235,298)</u>
<i>Other financing sources (uses):</i>				
Proceeds from issuance of debt	425,567	-	-	425,567
Issuance cost of debt	(3,192)	-	-	(3,192)
Transfers in	418,666	125,662	-	544,328
Transfers out	(36,888)	-	-	(36,888)
<i>Total other financing sources (uses)</i>	<u>804,153</u>	<u>125,662</u>	<u>-</u>	<u>929,815</u>
<i>Net change in fund balances</i>	(339,288)	12,201	21,604	(305,483)
<i>Fund balances (deficits) - beginning of year</i>	<u>1,019,892</u>	<u>177,665</u>	<u>244,977</u>	<u>1,442,534</u>
<i>Fund balances (deficits) - end of year</i>	<u>\$ 680,604</u>	<u>189,866</u>	<u>266,581</u>	<u>1,137,051</u>

See Notes to Financial Statements

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		
	Sedillo Park Renovations 107	Corrections Fund 201	State EMS 206
ASSETS			
Cash and investments	\$ 4,828	37,234	-
Receivables:			
Taxes	-	-	-
Receivables from external parties	-	-	-
Due from other funds	-	-	-
<i>Total assets</i>	<u>4,828</u>	<u>37,234</u>	<u>-</u>
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts payable	-	-	-
Accrued payroll liabilities	-	-	-
Deposits payable	-	-	-
Due to other external parties	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance:</i>			
Nonspendable - inventory	-	-	-
Restricted for:			
Special revenue funds	4,828	37,234	-
Capital projects funds	-	-	-
Debt service	-	-	-
Unassigned for:			
General fund	-	-	-
<i>Total fund balance (deficit)</i>	<u>4,828</u>	<u>37,234</u>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u>\$ 4,828</u>	<u>37,234</u>	<u>-</u>

Special Revenue

State Fire Protection 209	LEPF Fund 211	Lodgers Tax 214	Lodgers Tax Promotion 215	Recreation Fund 217
166	-	18,421	204,912	4,769
-	-	11,078	25,851	-
-	-	-	-	-
-	-	-	-	-
<u>166</u>	<u>-</u>	<u>29,499</u>	<u>230,763</u>	<u>4,769</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
166	-	29,499	230,763	4,769
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>166</u>	<u>-</u>	<u>29,499</u>	<u>230,763</u>	<u>4,769</u>
<u>166</u>	<u>-</u>	<u>29,499</u>	<u>230,763</u>	<u>4,769</u>

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue				
	Library Trustee 218	Juvenile Justice 241	Convention Center 250	Solano Economic Development 252	Total Special Revenue Funds
ASSETS					
Cash and investments	\$ 669	13,891	321,110	-	606,000
Receivables:					
Taxes	-	-	12,901	-	49,830
Receivables from external parties	-	24,774	-	-	24,774
Due from other funds	-	-	-	-	-
<i>Total assets</i>	<u>669</u>	<u>38,665</u>	<u>334,011</u>	<u>-</u>	<u>680,604</u>
LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts payable	-	-	-	-	-
Accrued payroll liabilities	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other external parties	-	-	-	-	-
Due to other funds	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance:</i>					
Nonspendable - inventory	-	-	-	-	-
Restricted for:					
Special revenue funds	669	38,665	334,011	-	680,604
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned for:					
General fund	-	-	-	-	-
<i>Total fund balance (deficit)</i>	<u>669</u>	<u>38,665</u>	<u>334,011</u>	<u>-</u>	<u>680,604</u>
<i>Total liabilities and fund balance</i>	<u>\$ 669</u>	<u>38,665</u>	<u>334,011</u>	<u>-</u>	<u>680,604</u>

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue		
	Sedillo Park Renovations 107	Corrections Fund 201	State EMS 206
<i>Revenues:</i>			
Taxes	\$ -	-	-
Licenses, permits, fees and fines	-	25,603	-
Charges for services	16,002	-	-
Intergovernmental - State sources	-	-	20,000
Intergovernmental - Federal sources	-	-	-
Contributions and donations	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	16,002	25,603	20,000
<i>Expenditures:</i>			
Current			
General government	-	-	-
Public safety	-	11,850	20,000
Public works	-	-	-
Culture and recreation	19,795	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and administrative fees	-	-	-
Total expenditures	19,795	11,850	20,000
<i>Excess (deficiency) of revenues over expenditures</i>	(3,793)	13,753	-
<i>Other financing sources (uses):</i>			
Proceeds from issuance of debt	-	-	-
Issuance cost of debt	-	-	-
Transfers in	5,000	-	-
Transfers out	-	-	-
Total other financing sources (uses)	5,000	-	-
<i>Net change in fund balances</i>	1,207	13,753	-
<i>Fund balances (deficits) - beginning of year</i>	3,621	23,481	-
<i>Fund balances (deficits) - end of year</i>	\$ 4,828	37,234	-

Special Revenue

State Fire Protection 209	LEPF Fund 211	Lodgers Tax 214	Lodgers Tax Promotion 215	Recreation Fund 217
-	-	101,021	290,951	-
-	-	-	-	-
-	-	-	5,102	25,538
285,314	27,800	-	-	-
-	-	-	-	-
-	-	-	-	-
98	-	-	134	-
-	-	-	-	9,778
<u>285,412</u>	<u>27,800</u>	<u>101,021</u>	<u>296,187</u>	<u>35,316</u>
-	-	-	-	-
118,305	27,800	-	-	-
-	-	-	-	-
-	-	129,916	211,270	445,222
733,375	-	-	-	-
30,849	-	-	48,550	-
4,371	-	-	30,768	-
<u>886,900</u>	<u>27,800</u>	<u>129,916</u>	<u>290,588</u>	<u>445,222</u>
<u>(601,488)</u>	<u>-</u>	<u>(28,895)</u>	<u>5,599</u>	<u>(409,906)</u>
425,567	-	-	-	-
(3,192)	-	-	-	-
-	-	-	-	413,666
-	-	(20,000)	-	-
<u>422,375</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>413,666</u>
(179,113)	-	(48,895)	5,599	3,760
179,279	-	78,394	225,164	1,009
<u>166</u>	<u>-</u>	<u>29,499</u>	<u>230,763</u>	<u>4,769</u>

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2017

	Special Revenue				
	Library Trustee 218	Juvenile Justice 241	Convention Center 250	Solaro Economic Development 252	Total Special Revenue Funds
<i>Revenues:</i>					
Taxes	\$ -	-	-	-	391,972
Licenses, permits, fees and fines	-	-	-	-	25,603
Charges for services	11	-	138,297	-	184,950
Intergovernmental - State sources	520	-	-	-	333,634
Intergovernmental - Federal sources	-	102,055	-	-	102,055
Contributions and donations	-	-	-	-	-
Investment earnings	-	-	-	-	232
Miscellaneous	-	-	-	-	9,778
Total revenues	531	102,055	138,297	-	1,048,224
<i>Expenditures:</i>					
Current					
General government	-	-	8,583	250,000	258,583
Public safety	-	97,164	-	-	275,119
Public works	-	-	-	-	-
Culture and recreation	3,847	-	-	-	810,050
Capital outlay	-	-	-	-	733,375
Debt service					
Principal	-	-	-	-	79,399
Interest and administrative fees	-	-	-	-	35,139
Total expenditures	3,847	97,164	8,583	250,000	2,191,665
<i>Excess (deficiency) of revenues over expenditures</i>	(3,316)	4,891	129,714	(250,000)	(1,143,441)
<i>Other financing sources (uses):</i>					
Proceeds from issuance of debt	-	-	-	-	425,567
Issuance cost of debt	-	-	-	-	(3,192)
Transfers in	-	-	-	-	418,666
Transfers out	(6,888)	(10,000)	-	-	(36,888)
Total other financing sources (uses)	(6,888)	(10,000)	-	-	381,778
Net change in fund balances	(10,204)	(5,109)	129,714	(250,000)	(339,288)
<i>Fund balances (deficits) - beginning of year</i>	10,873	43,774	204,297	250,000	1,019,892
<i>Fund balances (deficits) - end of year</i>	\$ 669	38,665	334,011	-	680,604

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Capital Projects				Debt Service	
	Airport Construction 304	Street Improvement 309	Rodeo Arena 311	CDBG Cuba Rd 315	Total Capital Projects	Debt Service 403
ASSETS						
Cash and investments	\$ 8,897	146,717	64,291	8,246	228,151	247,028
Receivables:						
Taxes	-	-	-	-	-	19,554
Receivables from external parties	221,770	-	-	-	221,770	(1)
Due from other funds	-	-	-	-	-	-
<i>Total assets</i>	<u>\$ 230,667</u>	<u>146,717</u>	<u>64,291</u>	<u>8,246</u>	<u>449,921</u>	<u>266,581</u>
LIABILITIES AND FUND BALANCE						
<i>Liabilities:</i>						
Accounts payable	\$ 39,479	201,203	-	-	240,682	-
Accrued payroll liabilities	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other external parties	-	-	-	-	-	-
Due to other funds	-	-	19,373	-	19,373	-
<i>Total liabilities</i>	<u>39,479</u>	<u>201,203</u>	<u>19,373</u>	<u>-</u>	<u>260,055</u>	<u>-</u>
<i>Fund Balance:</i>						
Nonspendable - inventory	-	-	-	-	-	-
Restricted for:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	191,188	-	44,918	8,246	244,352	-
Debt service	-	-	-	-	-	266,581
Unassigned for:						
General fund	-	(54,486)	-	-	(54,486)	-
<i>Total fund balance (deficit)</i>	<u>191,188</u>	<u>(54,486)</u>	<u>44,918</u>	<u>8,246</u>	<u>189,866</u>	<u>266,581</u>
<i>Total liabilities and fund balance</i>	<u>\$ 230,667</u>	<u>146,717</u>	<u>64,291</u>	<u>8,246</u>	<u>449,921</u>	<u>266,581</u>

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Capital Projects					Debt Service
	Airport Construction	Street Improvement	Rodeo Arena	CDBG Cuba Rd	Total Capital Projects	Debt Service
	304	309	311	315	Projects	403
<i>Revenues:</i>						
Taxes	\$ -	-	-	-	-	136,881
Licenses, permits, fees and fines	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Intergovernmental - State sources	-	218,591	735,000	-	953,591	-
Intergovernmental - Federal sources	530,536	-	-	-	530,536	-
Contributions and donations	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	2,708
Miscellaneous	-	40,000	94,929	-	134,929	-
<i>Total revenues</i>	<u>530,536</u>	<u>258,591</u>	<u>829,929</u>	<u>-</u>	<u>1,619,056</u>	<u>139,589</u>
<i>Expenditures:</i>						
Current						
General government	-	2	-	-	2	813
Public safety	-	-	-	-	-	-
Public works	-	501,869	-	2,756	504,625	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	399,911	-	827,979	-	1,227,890	-
Debt service						
Principal	-	-	-	-	-	97,674
Interest and administrative fees	-	-	-	-	-	19,498
<i>Total expenditures</i>	<u>399,911</u>	<u>501,871</u>	<u>827,979</u>	<u>2,756</u>	<u>1,732,517</u>	<u>117,985</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>130,625</u>	<u>(243,280)</u>	<u>1,950</u>	<u>(2,756)</u>	<u>(113,461)</u>	<u>21,604</u>
<i>Other financing sources (uses):</i>						
Transfers in	55,662	70,000	-	-	125,662	-
Transfers out	-	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>55,662</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>125,662</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>186,287</u>	<u>(173,280)</u>	<u>1,950</u>	<u>(2,756)</u>	<u>12,201</u>	<u>21,604</u>
<i>Fund balances (deficits) - beginning of year</i>	<u>4,901</u>	<u>118,794</u>	<u>42,968</u>	<u>11,002</u>	<u>177,665</u>	<u>244,977</u>
<i>Fund balances (deficits) - end of year</i>	<u>\$ 191,188</u>	<u>(54,486)</u>	<u>44,918</u>	<u>8,246</u>	<u>189,866</u>	<u>266,581</u>

CITY OF SOCORRO, NEW MEXICO
Joint Enterprise Fund 500
Statement of Revenues, Expenditures and Changes in
Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget-
	Original			Positive (Negative)
<i>Operating Revenue:</i>				
Charges for services	\$ 7,932,000	7,932,000	6,592,703	(1,339,297)
Miscellaneous	<u>26,000</u>	<u>26,000</u>	<u>565,322</u>	<u>539,322</u>
Total operating income	<u>7,958,000</u>	<u>7,958,000</u>	<u>7,158,025</u>	<u>(799,975)</u>
<i>Operating expenses:</i>				
Miscellaneous expenses	<u>8,483,455</u>	<u>9,320,053</u>	<u>6,438,545</u>	<u>2,881,508</u>
Total operating expenses	<u>8,483,455</u>	<u>9,320,053</u>	<u>6,438,545</u>	<u>2,881,508</u>
Net operating income	(525,455)	(1,362,053)	719,480	2,081,533
<i>Non-operating revenue (expenses)</i>				
Intergovernmental - federal sources	-	-	441,894	441,894
Intergovernmental - state sources	25,000	25,000	805,518	780,518
Gross Receipts tax - dedicated	40,000	40,000	105,106	65,106
Interest income	2,650	2,650	3,935	1,285
Interest expense	<u>-</u>	<u>-</u>	<u>(89,786)</u>	<u>(89,786)</u>
Net non-operating revenue	<u>\$ 67,650</u>	<u>67,650</u>	<u>1,266,667</u>	<u>1,199,017</u>
<i>Other financing sources (uses):</i>				
Transfers in	1,109,217	1,109,217	473,566	(635,651)
Transfers out	<u>(909,217)</u>	<u>(909,217)</u>	<u>(473,566)</u>	<u>435,651</u>
Total other financing sources (uses)	<u>\$ 200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Change in net position per above			1,986,147	
Depreciation			(1,326,264)	
Change in net position per statement of revenues, expenses and net changes in fund balance			<u>659,883</u>	

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

To the City Council
City of Socorro, New Mexico
and
Mr. Wayne Johnson
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, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the City of Socorro, New Mexico (the “City”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 City’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. 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 of 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 is described in the accompanying schedule of findings and responses as items 2016-001, 2016-002, and 2017-001.

The City's Response to Findings

The City's responses to the findings identified in our audit are 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 result 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
December 15, 2017

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2017

AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2016-001 Lack of Internal Controls over Payroll Disbursements, Non-Compliance and Other Matters (Repeated)

Condition: During our internal control test work over payroll disbursements, we noted the following exceptions:

- For 4 out of 40 transactions tested, we noted that the employee selected was paid \$0.25 per hour over the approved rate. This resulted in a total overpayment in the amount of \$36.
- For 2 out of 40 transactions tested, the employee's timesheets did not contain proper indication of supervisor approval.

The City did not make any progress in implementing procedures to resolve the overpayment finding in the current year. The City is lacking documentation and approval for \$0.25 raise for summer youth employees that attend the orientation.

This City is making progress in implementing procedures to ensure proper approval of timesheets, we believe this finding will be resolved in the subsequent year.

Criteria: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. Additionally, pursuant to City policy, wage increases for City employees are required to be authorized and documented in the respective employees personnel file. In addition, timesheets are to be approved and endorsed by someone other than the employee and particularly by a person that oversees or manages that employee.

Effect: The City was in violation of its own policy with respect to payroll file management and timesheet authorization. Weaknesses in internal control could result in inappropriate payroll disbursements.

Cause: Operating procedures are not being consistently applied to ensure that all payroll disbursements are in accordance with approved rates and contain proper review and approval.

Recommendation: We recommend that the City ensure compliance with its operating policies and procedures for payroll disbursements.

Management's Response: The summer youth program pay was discussed during the December 14, 2016 audit exit conference for FY 15-16. This situation occurred during the summer of 2016 and after the December 14, 2016 meeting, it was decided that the pay would remain the same for all summer youth employees from that point forward. All summer youth employees during the summer of 2017 were paid the same - \$7.50 per hour. Also discussed during the December 14, 2016 audit exit conference meeting timesheet approvals and signatures were discussed. Immediately following that meeting, Administrator Monette began signing the timesheets as requested. Both matters have been resolved.

Responsible Party for Corrective Action: Payroll Clerk, Department Directors and City Administrator

Timeline for Corrective Action: Immediately

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2017

AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONTINUED)

2016-002 Lack of Internal Controls over Cash Disbursements, Non-Compliance and Other Matters (Repeated)

Condition: During our internal control test work over cash disbursements, we noted the following exceptions:

- For 1 out of 40 disbursements tested, we noted the selected disbursement in the amount of \$902.28 did not contain a purchase order with the supporting documentation.
- For 1 out of 40 disbursements tested, we noted a purchase requisition in the amount of \$32,670 did not have any indication of review and approval.
- For 3 out of 10 credit card purchases tested, we noted that a purchase in the amount of \$393.10 did not have purchase order.

The City is making progress in resolving this finding during the current year. Management continues to train and enforce internal controls surrounding cash disbursements. The City plans to continue efforts in order to resolve the finding in subsequent years.

Criteria: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. Additionally, pursuant to City policy, all purchases are required to contain certain supporting documentation and have indication of proper authorization to pay.

Effect: The City was in violation of its own policies over cash disbursements. Weaknesses in internal control could result in inappropriate cash disbursements.

Cause: Operating procedures are not being consistently applied to ensure that all cash disbursements are in accordance with the proper supporting documentation for cash disbursements.

Recommendation: We recommend that the City ensure compliance with its operating policies and procedures for cash disbursements

Management's Response: The City of Socorro, through the Clerk/Treasurer's office, continues to train responsible staff on City policies and procedures. The importance of proper and corresponding documentation is continually stressed and emphasized. A review of City policies and procedures will take place immediately and reviews held throughout the year if discrepancies are found. Employees are informed of their personal liability for improper purchases.

Responsible Party for Corrective Action: Clerk/Treasurer, City Administrator and Accounts Payable Clerk

Timeline for Corrective Action: Immediately

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2017

AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONTINUED)

2017-001 Lack of Internal Control over Utility Customer Accounts, Non-Compliance and Other Matter

Condition: During our internal control test work surrounding utility accounts, we noted one instance in which the City did not have supporting documentation for a meter reading with a total billed amount of \$62.31.

Criteria: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect: The City is not properly implementing internal controls surrounding utility billing. Lack of supporting documentation for meter readings can result in inaccurate charges for utility usage.

Cause: The original meter read was inconclusive due to a faulty meter. The City therefore requested a manual meter reading of the property, however documentation of the manual reading was not maintained and was unable to be substantiated.

Recommendation: It is recommended that the City document and file all support surrounding meter readings and utility billing.

Management's Response: The City of Socorro continues to train responsible staff on utility billing policies and procedures. The importance of proper and corresponding documentation is continually stressed and emphasized. Effective communication between meter reader, customer service, and billing clerk is paramount. Reviews and audits are held throughout the year to insure proper readings are collected, billed and documented.

Responsible Party for Corrective Action: Clerk/Treasurer, City Administrator, General Ledger Clerk, Meter Readers and Billing Clerk

Timeline for Corrective Action: Immediately

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2017

STATUS OF PRIOR YEAR FINDINGS

2016-001	Payroll Disbursements (Compliance)	Revised and Repeated
2016-002	Cash Disbursements (Compliance)	Revised and Repeated
2016-003	Travel and Per Diem (Compliance)	Resolved

CITY OF SOCORRO, NEW MEXICO

Exit Conference

Year Ended June 30, 2017

An exit conference was held with the City on December 14, 2017.

In attendance were:

CITY OF SOCORRO, NEW MEXICO

Ravi Bhasker – Mayor – City of Socorro

Mable Gonzales – Clerk/Treasurer-City of Socorro

Ruby Lopez – General Ledger Specialist-City of Socorro

Donald Monette – Administrator-City of Socorro

Stephanie Saavedra – Payroll/Deputy Clerk-City of Socorro

Kristy Padilla – Administrative Assistant-City of Socorro

AXIOM CPAS AND BUSINESS ADVISORS, LLC

Bryan Runyan, Supervisor - Axiom CPA's

Auditor Prepared Financial Statements

Axiom Certified Public Accountants and Business Advisors LLC prepared the GAAP-basis financial statements and footnotes for the City of Socorro from the original books and records provided to them by the management of the City. The responsibility of the financial statements remains with the City.