

**STATE OF NEW MEXICO
CITY OF SOCORRO
AUDIT REPORT
JUNE 30, 2008**

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2008**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2008**

FUNCTION OF THE ENTITY

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

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2008**

OFFICAL ROSTER

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

FINANCIAL STATEMENTS SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregated remaining fund information of the City of Socorro, New Mexico as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the City of Socorro, New Mexico's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

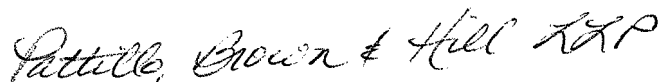
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Socorro, New Mexico as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, of the City of Socorro, New Mexico as of June 30, 2008 and the respective changes in financial position and the respective budgetary comparisons for the major capital projects funds, debt service funds, proprietary fund, and all nonmajor governmental funds for

the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 11, 2009, on our consideration of the City of Socorro, New Mexico'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* and should be considered in assessing the results of our audit.

The City of Socorro has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Proprietary Funds Departmental Schedule of Revenues, Expenses and Changes in Fund Net Assets is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
August 11, 2009

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,009,829	\$ 232,962	\$ 1,242,791
Investments	1,301,816	590,000	1,891,816
Receivables (net of allowances for uncollectibles)	668,647	964,298	1,632,945
Internal balances	402,929	(402,929)	-
Bond premium	-	24,822	24,822
Inventory	-	76,153	76,153
Total current assets	<u>3,383,221</u>	<u>1,485,306</u>	<u>4,868,527</u>
Other assets:			
Restricted cash	-	968,668	968,668
Total other assets	<u>-</u>	<u>968,668</u>	<u>968,668</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	300,714	516,294	817,008
Construction in progress	303,292	137,700	440,992
Capital assets being depreciated	16,762,807	21,910,736	38,673,543
Less: accumulated depreciation	<u>(5,909,553)</u>	<u>(12,764,053)</u>	<u>(18,673,606)</u>
Total capital assets	<u>11,457,260</u>	<u>9,800,677</u>	<u>21,257,937</u>
Total noncurrent assets	<u>11,457,260</u>	<u>9,800,677</u>	<u>21,257,937</u>
Total assets	<u>14,840,481</u>	<u>12,254,651</u>	<u>27,095,132</u>

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

LIABILITIES	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 325,844	\$ 135,409	\$ 461,253
Accrued payroll expenses	36,009	-	36,009
Accrued interest payable	6,339	6,862	13,201
Capital leases payable - current	-	35,409	35,409
Current portion long term debt	<u>76,149</u>	<u>142,598</u>	<u>218,747</u>
Total current liabilities	<u>444,341</u>	<u>320,278</u>	<u>764,619</u>
Noncurrent liabilities:			
Meter deposits	-	83,805	83,805
Compensated absences	160,411	80,935	241,346
Landfill closure and post closing liability	-	789,685	789,685
Capital leases payable	-	229,598	229,598
Bonds and loans payable less current portion	<u>1,144,421</u>	<u>1,585,068</u>	<u>2,729,489</u>
Total noncurrent liabilities	<u>1,304,832</u>	<u>2,769,091</u>	<u>4,073,923</u>
 Total liabilities	 <u>1,749,173</u>	 <u>3,089,369</u>	 <u>4,838,542</u>
 NET ASSETS			
Invested in capital assets, net of related debt	10,230,351	7,808,004	18,038,355
Restricted for:			
Debt service	397,261	869,813	1,267,074
Capital projects	142,281	-	142,281
Unrestricted	<u>2,321,415</u>	<u>487,465</u>	<u>2,808,880</u>
 Total net assets	 <u>\$ 13,091,308</u>	 <u>\$ 9,165,282</u>	 <u>\$ 22,256,590</u>

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 1,819,608	\$ 447,855	\$ 826,762	\$ 246,271
Judicial	141,024	79,363	-	-
Public safety	2,962,871	606,729	370,095	-
Public works	782,040	-	-	-
Culture and recreation	1,263,001	46,797	29,102	-
Interest and fees on long-term debt	<u>42,721</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>7,011,265</u>	<u>1,180,744</u>	<u>1,225,959</u>	<u>246,271</u>
Business-type activities:				
Natural gas	\$ 3,243,621	\$ 3,398,244	\$ -	\$ -
Water	1,172,785	1,059,038	-	8,365
Waste water	1,363,056	923,376	-	-
Solid waste	372,990	645,345	-	-
Landfill	731,380	350,641	-	-
Recycling	<u>96,551</u>	<u>682</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,980,383</u>	<u>6,377,326</u>	<u>-</u>	<u>8,365</u>
Total primary government	<u>\$ 13,991,648</u>	<u>\$ 7,558,070</u>	<u>\$ 1,225,959</u>	<u>\$ 254,636</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 State shared

 Sales

 Lodgers

 Franchise

Investment earnings

Miscellaneous

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets, beginning of year

Net assets, ending

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(298,720)	\$ -	\$(298,720)
(61,661)	-	(61,661)
(1,986,047)	-	(1,986,047)
(782,040)	-	(782,040)
(1,187,102)	-	(1,187,102)
(42,721)	-	(42,721)
<u>(4,358,291)</u>	<u>-</u>	<u>(4,358,291)</u>
\$ -	\$ 154,623	\$ 154,623
-	(105,382)	(105,382)
-	(439,680)	(439,680)
-	272,355	272,355
-	(380,739)	(380,739)
<u>-</u>	<u>(95,869)</u>	<u>(95,869)</u>
<u>-</u>	<u>(594,692)</u>	<u>(594,692)</u>
<u>(4,358,291)</u>	<u>(594,692)</u>	<u>(4,952,983)</u>
429,609	-	429,609
317,085	86,585	403,670
3,726,248	-	3,726,248
367,094	-	367,094
222,470	-	222,470
103,671	82,091	185,762
85,711	-	85,711
<u>-</u>	<u>-</u>	<u>-</u>
<u>5,251,888</u>	<u>168,676</u>	<u>5,420,564</u>
<u>893,597</u>	<u>(426,016)</u>	<u>467,581</u>
<u>12,197,711</u>	<u>9,591,298</u>	<u>21,789,009</u>
<u>\$ 13,091,308</u>	<u>\$ 9,165,282</u>	<u>\$ 22,256,590</u>

**STATE OF NEW MEXICO
CITY OF SOCORRO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	<u>General</u>	<u>Plaza Park Renovations</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
Cash	\$ 176,706	\$ 48,968	\$ 142,574	\$ 641,581
Investments	970,575	78,398	252,843	-
Accounts receivable (net of allowance)	142,081	-	1,844	166,425
Due from other governments	358,297	-	-	-
Due from other funds	<u>549,929</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,197,588</u>	<u>\$ 127,366</u>	<u>\$ 397,261</u>	<u>\$ 808,006</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue	\$ -	\$ -	\$ -	\$ 93,799
Accounts payable	20,516	-	-	305,328
Accrued payroll expenses	36,009	-	-	-
Due to other funds	<u>47,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>103,525</u>	<u>100,000</u>	<u>-</u>	<u>399,127</u>
Fund balances:				
Reserved for:				
Debt service	-	-	397,261	-
Capital projects funds	-	27,366	-	21,116
Unreserved, undesignated reported in:				
General fund	2,094,063	-	-	-
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>387,763</u>
Total fund balances	<u>2,094,063</u>	<u>27,366</u>	<u>397,261</u>	<u>408,879</u>
Total liabilities & fund balances	<u>\$ 2,197,588</u>	<u>\$ 127,366</u>	<u>\$ 397,261</u>	<u>\$ 808,006</u>

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

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

Recognition of deferred revenue is reflected on the full accrual basis in the statement of net assets.

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

**Total
Governmental
Funds**

\$ 1,009,829
1,301,816
310,350
358,297
549,929

\$ 3,530,221

\$ 93,799
325,844
36,009
147,000
602,652

397,261
48,482

2,094,063
387,763

2,927,569

(1,387,320)

11,457,260

93,799
\$ 13,091,308

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Plaza Park Renovations</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
REVENUES				
Taxes:				
Gross receipts tax	\$ 2,030,189	\$ -	\$ 117,327	\$ -
Property taxes	429,609	-	-	-
Lodgers' tax	-	-	-	367,094
Other state shared taxes	312,113	-	-	4,972
Franchise tax	222,470	-	-	-
Licenses and permits	49,349	-	-	-
Intergovernmental	310,226	597,000	-	446,659
Charges for services	959,253	-	-	43,868
Fines and forfeitures	65,269	-	-	20,273
State shared gross receipts tax	1,578,732	-	-	-
Other	113,857	-	-	22,710
Investment	74,064	25,892	2,988	-
Total revenues	<u>6,145,131</u>	<u>622,892</u>	<u>120,315</u>	<u>905,576</u>
EXPENDITURES				
Current operations:				
General government	1,365,504	21,381	-	37,153
Judicial	132,274	-	-	-
Public safety	2,625,904	-	-	212,915
Public works	685,592	-	-	-
Culture and recreation	680,547	-	-	553,904
Debt service:				
Principal	-	-	74,088	-
Interest	-	-	41,413	-
Fees and other	-	-	1,620	-
Capital outlay:	<u>364,109</u>	<u>2,030,247</u>	<u>-</u>	<u>912,899</u>
Total expenditures	<u>5,853,930</u>	<u>2,051,628</u>	<u>117,121</u>	<u>1,716,871</u>
Excess (deficiency) of revenues over expenditures	291,201	(1,428,736)	3,194	(811,295)
Other financing sources (uses):				
Transfers in	365,279	400,000	101,817	1,060,102
Transfers out	(889,362)	-	(987,836)	(50,000)
Total other financing sources (uses)	<u>(524,083)</u>	<u>400,000</u>	<u>(886,019)</u>	<u>1,010,102</u>
Net change in fund balances	<u>(232,882)</u>	<u>(1,028,736)</u>	<u>(882,825)</u>	<u>198,807</u>
Fund balances, beginning of year	<u>2,326,945</u>	<u>1,056,102</u>	<u>1,280,086</u>	<u>210,072</u>
Fund balances, end of year	<u>\$ 2,094,063</u>	<u>\$ 27,366</u>	<u>\$ 397,261</u>	<u>\$ 408,879</u>

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

**Total
Governmental
Funds**

\$ 2,147,516
429,609
367,094
317,085
222,470
49,349
1,353,885
1,003,121
85,542
1,578,732
136,567
102,944
7,793,914

1,424,038
132,274
2,838,819
685,592
1,234,451

74,088
41,413
1,620
3,307,255
9,739,550

(1,945,636)

1,927,198
(1,927,198)

-
(1,945,636)

4,873,205

\$ 2,927,569

**STATE OF NEW MEXICO
CITY OF SOCORRO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

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

Net change in fund balances - total governmental funds	\$(1,945,636)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	2,654,762
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds	74,088
Recognition of accounts receivable and deferred revenues is reflected on the full accrual basis within the statement of activities. The City has determined that the receivables are not available, therefore, the revenues have been deferred within the governmental funds.	93,799
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmentl funds because they are not financial resources.	17,149
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(565)
Change in net assets of governmental activities	<u>\$ 893,597</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,451,000	\$ 1,451,000	\$ 2,030,189	\$ 579,189
Property taxes	355,000	355,000	429,609	74,609
Other state shared taxes	323,000	323,000	312,113	(10,887)
Franchise tax	170,000	170,000	222,470	52,470
Licenses and permits	37,600	37,600	49,349	11,749
Intergovernmental	239,117	351,008	310,226	(40,782)
Charges for services	997,900	1,009,980	960,714	(49,266)
Fines and forfeitures	75,100	75,100	65,269	(9,831)
State shared gross receipts tax	1,349,000	1,349,000	1,578,732	229,732
Other	94,839	417,964	113,857	(304,107)
Investment	100,000	100,000	74,064	(25,936)
Total revenues	<u>5,192,556</u>	<u>5,639,652</u>	<u>6,146,592</u>	<u>506,940</u>
EXPENDITURES				
Current operations:				
General government	1,231,306	1,231,306	1,593,766	(362,460)
Judicial	141,274	141,274	132,565	8,709
Public safety	2,776,191	2,791,201	2,635,065	156,136
Public works	692,111	836,934	687,523	149,411
Culture and recreation	772,880	833,258	674,862	158,396
Capital Outlay	<u>135,000</u>	<u>478,069</u>	<u>150,909</u>	<u>327,160</u>
Total expenditures	<u>5,748,762</u>	<u>6,312,042</u>	<u>5,874,690</u>	<u>437,352</u>
Excess (deficiency) of revenues over expenditures	(556,206)	(672,390)	271,902	944,292
OTHER FINANCING SOURCES (USES)				
Transfers in	362,947	385,447	365,279	(20,168)
Transfers out	(624,632)	(647,132)	(889,362)	(242,230)
Total other financing sources (uses)	<u>(261,685)</u>	<u>(261,685)</u>	<u>(524,083)</u>	<u>(262,398)</u>
Net change in fund balances	<u>\$ (817,891)</u>	<u>\$ (934,075)</u>	<u>\$ (252,181)</u>	<u>\$ 681,894</u>
Beginning cash balance	\$ 1,419,708	\$ 1,419,708		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(252,181)	
Change in receivables			29,422	
Change in payables			(10,123)	
Net change in fund balances GAAP basis			<u>\$(232,882)</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

ASSETS

Current assets:

Cash and cash equivalents	\$	232,962
Investments		590,000
Accounts receivable (net of allowance for uncollectible)		957,154
Accounts receivables other governments		7,144
Due from other funds		162,913
Inventory		<u>76,153</u>
Total current assets		<u>2,026,326</u>

Restricted assets:

Customers' meter deposits		83,805
Debt payments and reserves		521,238
Landfill improvements & closures and solid waste issues		348,575
Water rights		<u>15,050</u>
Total restricted assets		<u>968,668</u>

Other assets:

Deferred loan fees		<u>24,822</u>
--------------------	--	---------------

Plant in service:

Non-depreciable assets		
Land		516,294
Construction in progress		137,700
Depreciable assets		
Natural gas system		2,415,145
Water and sewer system		17,900,757
Solid waste equipment		1,594,834
Less accumulated depreciation		<u>(12,764,053)</u>
Total property, plant and equipment		<u>9,800,677</u>

Total Assets

12,820,493

LIABILITIES

Current Liabilities:

Accounts payable		135,409
Accrued interest payable		6,862
Due to other funds		565,842
Current portion capital lease		35,409
Current portion long-term debt		<u>142,598</u>
Total current liabilities		<u>886,120</u>

Long term liabilities:

Utility meter deposits		83,805
Compensated absences		80,935
Landfill closure and post closing liability		789,685
Capital lease payable		229,598
Bonds and loans payable less current portion		<u>1,585,068</u>
Total long-term liabilities		<u>2,769,091</u>

Total Liabilities

3,655,211

Net Assets

Invested in capital assets, net of related debt		7,808,004
Restricted for debt service		869,813
Unrestricted		<u>487,465</u>

Total Net Assets

\$ 9,165,282

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Total
Operating Revenues:	
Charges for services	\$ 6,288,793
Connection charges	73,963
Other revenue	14,570
Total operating revenues	6,377,326
 Operating Expenses:	
Natural gas purchases	2,075,755
Salaries	1,474,757
Benefits	522,055
Other operating expense	1,963,228
Depreciation	608,681
Payment in lieu of taxes	274,471
Total operating expenses	6,918,947
Operating income (loss)	(541,621)
 Non-operating income (deductions):	
Taxes	86,585
Interest income	82,091
Interest expense	(61,436)
Capital grants	8,365
Total non-operating income (deductions)	115,605
Net income (loss)	(426,016)
Net assets, beginning of year	9,591,298
Net assets, end of year	\$ 9,165,282

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

Cash flows from operating activities	
Cash received from customers	\$ 6,282,614
Cash payments to employees for services	(1,993,985)
Cash payments to supplies for goods and services	<u>(4,226,562)</u>
Net cash provided by operating activities	<u>62,067</u>
Cash flows from noncapital financing activities	
Taxes received	<u>86,418</u>
Net cash provided by capital and related activities	<u>86,418</u>
Cash flows from investing activities	
Interest income	82,091
Investments purchased	(590,000)
Transfers from restricted cash	<u>9,434</u>
Net cash used by capital and related activities	<u>(498,475)</u>
Cash flows from capital investing activities	
Acquisition of capital assets	(410,165)
Capital leases	202,824
Capital grants	16,942
Principal paid on debt	(139,437)
Interest paid on debt	<u>(62,227)</u>
Net cash used by capital financing activities	<u>(392,063)</u>
Net decrease in cash and cash equivalents	(742,053)
Cash and equivalents beginning of year	<u>975,015</u>
Cash and equivalents end of year	<u>\$ 232,962</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$(541,621)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	608,681
Decrease (increase) in customer receivable	(83,329)
Decrease (increase) in inventory	(30,493)
Decrease (increase) in prepaid	2,524
Increase (decrease) in accounts payable	(2,516)
Increase (decrease) in customer deposits	(11,383)
Increase (decrease) landfill closure and post closing liabilities	117,377
Increase (decrease) in compensated absences	<u>2,827</u>
Net cash provided by operating activities	<u>\$ 62,067</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Socorro County, the collecting agent for the city property tax, is unable to report the amount of delinquent tax currently due to the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

The ***Plaza Park Renovations Fund*** is a capital projects fund that accounts for renovations to the plaza/park. Resources for this project are provided by appropriations from the State of New Mexico and transfers from the Enterprise Fund.

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

The City reports the following major proprietary funds:

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and investments include amounts in demand deposits, certificates of deposit and investments. Investments are stated at fair market value.

Receivables

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

Supply Inventories

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

Restricted Assets

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

Capital Assets

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

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

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

Compensated Absences

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

Long-term Obligations

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

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

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

Estimates

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

E. Proprietary Activity Accounting and Financial Reporting

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

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

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

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

Bonds and loans payable current	\$ 76,149
Bonds and loans payable long-term	1,144,421
Accrued interest payable	6,339
Compensated absences	<u>160,411</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>1,387,320</u>

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

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

(continued)

Capital outlay	\$ 3,307,255
Depreciation expense	<u>(652,493)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,654,762</u>

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

Bond and loan payable	\$ <u>74,088</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 74,088</u>

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

Compensated absences	\$ (877)
Accrued interest	<u>312</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (565)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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

Cash and Investments

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

At June 30, 2008, the City had cash and cash equivalents on deposit with local financial institutions, consisting of checking accounts and certificates of deposits that are carried at cost, which also have values approximating market value. The City also had funds held by the New Mexico Finance Authority in bank funds secured by US Treasury Funds. Investments are held at Wells Fargo Brokerage Services secured by the United States government. Following is a schedule as of June 30, 2008, of the cash and cash equivalents and collateral pledged to secure the public funds on deposit. All funds are held in the name of the City in financial institutions that have exceeded the minimum collateral requirements. All financial institutions have pledged collateral with securities held by their trust department or agent in the financial institutions name.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

	Balance Per Bank 6-30-08	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6-30-08
First State Bank of Socorro:					
Checking Account Operating	\$ 1,098,538	\$ 38,228	\$ 746,397	\$ 7,948	\$ 398,317
Checking Account Payroll	43,577	-	40,284		3,293
Investment Account	548,017	-	-		548,017
Certificates of Deposit	200,000				200,000
Checking Account E-Pay	30,752	836			31,588
Bank of America :					
Checking Account Operating	47,309				47,309
Wells Fargo Bank:					-
Checking Account Operating	<u>22,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,268</u>
Total Cash in Banks	<u>\$ 1,990,461</u>	<u>\$ 39,064</u>	<u>\$ 786,681</u>	<u>\$ 7,948</u>	1,250,792
Funds Held by the New Mexico Finance Authority:					
US Treasury Fund Accounts					178,966
State Treasurers Office					52,783
Wells Fargo Brokerage Services					2,620,184
Plus Cash on Hand					<u>550</u>
Total Cash and Investments Per Books					<u>\$ 4,103,275</u>
As Reported in Financial Statements:					
Investments: Unrestricted					\$ 1,891,816
Restricted					728,368
Cash: Unrestricted					1,242,791
Restricted					<u>240,300</u>
					<u>\$ 4,103,275</u>

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

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

	<u>First State</u>		<u>Bank of</u>		<u>Wells</u>		<u>Total</u>
	<u>Bank of</u>		<u>America</u>		<u>Fargo</u>		
	<u>Socorro</u>						
Amount on Deposit in Bank	\$ 1,920,884	\$ 47,309	\$ 22,268		\$ 1,990,461		
Less FDIC Coverage	<u>(200,000)</u>	<u>(47,309)</u>	<u>(22,268)</u>		<u>(269,577)</u>		
Uninsured Public Funds	<u>1,720,884</u>	<u>-</u>	<u>-</u>		<u>1,720,884</u>		
Collateral pledged :	<u>STATED AT</u>						
Safekeeping agent, First State Bank, Socorro, NM							
US Treasury Notes CUSIP #9128275N8	FMV	\$ 1,037,414	\$ -		\$ 1,037,414		
US Treasury Notes CUSIP #912810DZ8	FMV	671,823	-		671,823		
Ruidoso Gross Receipts Tax CUSIP #781336AW2	PAR	255,000	-		255,000		
Ruidoso Gross Receipts Tax CUSIP #781336AT9	PAR	225,000	-		225,000		
Ruidoso Gross Receipts Tax CUSIP #781336AU6	PAR	235,000	-		235,000		
FHLB Non CBL Cusip #3133XLWM1	FMV	418,272	-		418,272		
Ruidoso Gross Receipts Tax CUSIP #781336AV2	PAR	245,000	-		245,000		
		<u>-</u>	<u>-</u>		<u>-</u>		
		<u>3,087,509</u>	<u>-</u>		<u>3,087,509</u>		
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>		

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2008 \$1,720,884 of the City's bank balance of \$1,990,319 was exposed to custodial credit risk as follows:

	<u>First State</u>	<u>Bank of</u>	<u>Wells</u>
	<u>Bank</u>	<u>America</u>	<u>Fargo</u>
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>1,720,884</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,720,884</u>	<u>\$ -</u>	<u>\$ -</u>

3. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

Cash and Investments (continued)

Also at June 30, 2008 the City had \$178,966 held in AP US Treasury Notes, in connection with three New Mexico Finance Authority loans. Two for road construction and the other for landfill scale house construction. The notes, held by the Bank of Albuquerque Trust Services, in the Bank's name, exposes the City to custodial credit risk as noted above. The City does not have an investment policy to limit exposure to custodial credit risk or to manage its exposure to fair value losses due to rising interest rates. At June 30, 2008 these investments were:

<u>Bank of Albuquerque</u>	
NMFA (Road) Reserves	\$ 8,484
NMFA (Infrastructure) Reserves	95,258
NMFA (Infrastructure Proceeds)	48,968
NMFA (Landfill) Reserves	<u>26,256</u>
Total	<u>\$ 178,966</u>

There are three gross receipts intercept accounts managed by the New Mexico Finance Authority (NMFA), on deposit with the State Treasurer's office, in NMFA's name and are held for the benefit of the City. These accounts expose the City to custodial credit risk of \$52,783.

<u>NMFA</u>	
NMFA (Road) Intercept	\$ 8,023
NMFA (Infrastructure) Intercept	28,009
NMFA (Landfill) Intercept	<u>16,751</u>
Total	<u>\$ 52,783</u>

The City invests idle cash under the guidelines of the State of New Mexico Statute 6-10-10 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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

As of June 30, 2008 the City had the following investments held at Wells Fargo Brokerage Services:

	Fair Value	Current	Maturity
Wells Fargo Adv. Government MMF	\$ 629,904	\$ 629,904	
Federal Home Loan Discount Note -313384A25	400,000	399,320	7/30/2008
Freddie Mac Discount Note -313396C50	400,000	398,800	8/18/2008
Federal Home Loan Discount Note -313384E54	400,000	398,320	9/3/2008
Federal Home Loan Discount Note -313384J34	400,000	397,480	10/3/2008
Freddie Mac Discount Note -313396N90	400,000	396,360	11/10/2008
Total	<u>\$2,629,904</u>	<u>\$ 2,620,184</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 Treasury Fund and Federal Agencies investments of the City meet the above criteria and the cost subject to custodial credit risk is \$2,611,317. The City does not have a formal investment policy to limit this risk.

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, Federal Home Loan Discount Notes, Freddie MAC Discount Notes and Fannie Mae Discount Notes were rated Aaa by Moody's Investor Services and AAAM by Standard & Poors.

Concentration of Credit Risk – Investments

The City places no limit on the amount the City may invest in any one issuer. More than 72% of the City's investments are in Federal Home Loan Discount Notes, Freddie MAC Discount Notes and Fannie Mae Discount Notes. These investments are 29%, 29% and 14% respectively of the Association's total investments.

Investments as Stated in Report:

General Fund	\$ 970,575
Debt Service	252,843
Plaza Park Renov.	78,398
Proprietary Fund	590,000
Proprietary Restricted	728,368
Total	<u>\$ 2,620,184</u>

4. DETAILED NOTES ON ALL FUNDS

Receivables

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

	<u>Governmental Funds</u>				<u>Total</u>
	<u>General</u>	<u>Major Funds</u>	<u>Non-major</u>	<u>Joint Enterprise Fund</u>	
Receivables:					
Customer Accounts	\$ 851,390	\$ -	\$ -	\$ 1,092,105	\$ 1,943,495
Property Taxes	8,086	-	-	-	8,086
Franchise Taxes	30,313	-	-	-	30,313
Gross Receipts Taxes	337,348	-	-	7,144	344,492
Gas Taxes	20,111	1,844	-	-	21,955
Cigarette Taxes	838	-	421	-	1,259
Lodgers Taxes	-	-	32,205	-	32,205
Motor Vehicle Fees	3,961	-	-	-	3,961
Other governments	-	-	133,799	-	133,799
Gross receivables	1,252,047	1,844	166,425	1,099,249	2,519,565
Less: allowance for uncollectibles	751,669	-	-	134,951	886,620
Net total receivables	<u>\$ 500,378</u>	<u>\$ 1,844</u>	<u>\$ 166,425</u>	<u>\$ 964,298</u>	<u>\$ 1,632,945</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	Beginning Balance	Adjustments/ Increases	Decreases/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 283,564	\$ 17,150	\$ -	\$ 300,714
Construction in progress	563,925	303,292	(563,925)	303,292
Total capital assets not being depreciated	<u>847,489</u>	<u>320,441</u>	<u>(563,925)</u>	<u>604,006</u>
Capital assets, being depreciated:				
Buildings and improvements	5,571,472	614,413	484,650	6,670,535
Equipment & Vehicles	4,544,450	342,367	-	4,886,817
Infrastructure	3,078,998	2,047,182	79,275	5,205,455
Total capital assets being depreciated	<u>13,194,920</u>	<u>3,003,963</u>	<u>563,925</u>	<u>16,762,807</u>
Less accumulated depreciation:				
Buildings and improvements	2,392,151	169,551	-	2,561,702
Equipment & Vehicles	2,697,530	189,054	-	2,886,584
Infrastructure	167,379	293,888	-	461,267
Total accumulated depreciation	<u>5,257,060</u>	<u>652,493</u>	<u>-</u>	<u>5,909,553</u>
Total capital assets being depreciated, net	<u>7,937,860</u>	<u>2,351,470</u>	<u>563,925</u>	<u>10,853,255</u>
Governmental activities capital assets, net	<u>\$ 8,785,349</u>	<u>\$ 2,671,911</u>	<u>\$ -</u>	<u>\$ 11,457,260</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 516,294	\$ -	\$ -	\$ 516,294
Construction in progress	1,512,340	-	(1,374,640)	137,700
Total capital assets not being depreciated	<u>2,028,634</u>	<u>-</u>	<u>(1,374,640)</u>	<u>653,994</u>
Capital assets, being depreciated:				
Plant and equipment	20,196,775	410,165	1,303,796	21,910,736
Total capital assets being depreciated	<u>20,196,775</u>	<u>410,165</u>	<u>1,303,796</u>	<u>21,910,736</u>
Less accumulated depreciation:				
Plant and equipment	12,226,216	608,681	(70,844)	12,764,053
Total accumulated depreciation	<u>12,226,216</u>	<u>608,681</u>	<u>(70,844)</u>	<u>12,764,053</u>
Total capital assets being depreciated, net	<u>7,970,559</u>	<u>(198,516)</u>	<u>1,374,640</u>	<u>9,146,683</u>
Business-type activities capital assets, net	<u>\$ 9,999,193</u>	<u>\$ (198,516)</u>	<u>\$ -</u>	<u>\$ 9,800,677</u>

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

Capital Assets (continued)

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

Governmental Activities:	
General government	\$ 394,693
Judicial	8,750
Public safety	124,052
Public works	96,448
Culture and recreation	28,550
Total Depreciation Expense - Governmental Activities	<u>\$ 652,493</u>
Business-type Activities:	
Natural gas	\$ 109,044
Water	126,216
Waste water	263,537
Solid waste	52,013
Landfill	57,871
Total Depreciation Expense - Business-type Activities	<u>\$ 608,681</u>

Interfund Receivables, Payables and Transfers

Payment in Lieu of Taxes:

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

Due to/from other funds:

A loan was made to the General Fund from the Joint Enterprise Fund for the purpose of purchasing capital assets. The loan will be repaid at \$5,000 per year. The balance on June 30, 2008 is \$47,000.

The Plaza Park Renovations Fund was loaned \$100,000 from the Joint Enterprise Fund. The amount is expected to be reimbursed when the state appropriations are received.

The General Fund received insurance proceeds in the prior year which were deposited into the Joint Enterprise Fund. This balance owed to the General Fund is \$549,929.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers (continued)

Operating Transfers:

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

Interfund transfers:

	Transfers out					Total
	General	Plaza Park	Debt Service	Non Major	Joint Enterprise	
Transfers in:						
General	\$ 315,279	\$ -	\$ -	\$ 50,000	\$ -	\$ 365,279
Plaza Park	-	-	400,000	-	-	400,000
Debt Service	101,817	-	-	-	-	101,817
Joint Enterprise	-	-	-	-	-	-
Nonmajor	472,266	-	587,836	-	-	1,060,102
Total transfers out	889,362	-	987,836	50,000	-	1,927,198
Less transfers in	(365,279)	(400,000)	(101,817)	(1,060,102)	-	(1,927,198)
	<u>\$ 524,083</u>	<u>\$ (400,000)</u>	<u>\$ 886,019</u>	<u>\$ (1,010,102)</u>	<u>\$ -</u>	<u>\$ -</u>

SHORT TERM DEBT:

The City does not have any short-term debt.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT:

NMFA Loans:

High School Road/Michigan Avenue Construction

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

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

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

Infrastructure Projects

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

Landfill Scale House

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

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

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

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

LONG TERM DEBT: (continued)

NMFA Loans: (continued)

Wastewater Treatment Plant

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

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

Lease Purchase-Payable

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

Payment Requirement FYE June 30,	Principal	Interest	Total
2009	\$ 35,409	\$ 13,320	\$ 48,729
2010	37,350	11,379	48,729
2011	39,399	9,331	48,730
2012	41,539	7,183	48,722
2013	43,837	4,893	48,730
2014	67,473	1,110	68,583
	<u>\$ 265,007</u>	<u>\$ 47,216</u>	<u>\$ 312,223</u>

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

LONG TERM DEBT: (continued)

Loans Payable

A summary of the terms of revenue bonds and loans outstanding and their corresponding allocations to the governmental and business-type activities at June 30, 2008 follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Outstanding
Governmental Activities			
NMFA Loan	2022	3.554%	236,334
NMFA Loan	2021	3.387%	984,236
Total governmental activities			<u>\$ 1,220,570</u>
Business-Type Activities			
NMFA Loan -Landfill Loan	2022	4.248%	\$ 409,774
NMED Loan	2018	2.0%	1,317,892
Total business-type activities			<u>\$ 1,727,666</u>

Governmental Activities

Year Ending June 30,	Principal	Interest	Admin. Fee
2009	76,149	38,034	3,059
2010	78,332	36,046	2,869
2011	80,643	33,934	2,673
2012	83,094	31,692	2,471
2013	85,692	30,226	2,337
2014-2018	472,996	110,771	8,370
2019-2022	343,664	29,629	2,161
Total	<u>\$ 1,220,570</u>	<u>\$ 310,332</u>	<u>\$ 23,940</u>

Business-Type Activities

Year Ending June 30,	Principal	Interest	Admin. Fee
2009	142,598	42,816	1,024
2010	145,859	39,613	969
2011	149,215	36,315	911
2012	152,672	32,920	851
2013	156,232	29,424	789
2014-2018	838,535	90,803	2,916
2019-2022	142,555	16,542	910
Total	<u>\$ 1,727,666</u>	<u>\$ 288,433</u>	<u>\$ 8,370</u>

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

LONG TERM DEBT: (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Loan Payable	\$ 1,294,658	\$ -	\$ 74,088	\$ 1,220,570	\$ 76,149
Compensated absences	159,534	219,780	218,903	160,411	-
Governmental activities long-term liabilities	<u>\$ 1,454,192</u>	<u>\$ 219,780</u>	<u>\$ 292,991</u>	<u>\$ 1,380,981</u>	<u>\$ 76,149</u>
Business-type activities					
Capital Lease	\$ 53,606	\$ 290,342	\$ 78,941	\$ 265,007	\$ 35,409
Loans Payable	1,867,103	-	139,437	1,727,666	142,598
Compensated Absences	78,108	134,590	131,763	80,935	-
Business-type activities long-term liabilities	<u>\$ 1,998,817</u>	<u>\$ 424,932</u>	<u>\$ 350,141</u>	<u>\$ 2,073,608</u>	<u>\$ 178,007</u>

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

Landfill Closure and Post Closure Costs

State and Federal law regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$789,685 reported as landfill closure and post closure care liability at June 30, 2008, represents the cumulative amount reported to date based on management's estimates and on the area used by the landfill. The City has fully recognized the cost of closure and post closure care and expects to close the landfill in 2008. Actual costs may differ due to inflation and changes in technology and regulations.

During the year ended June 30, 2008, the City received \$46,835 in environmental gross receipts tax for closure and post closure and post closure care costs as well as other solid waste issues. The City has accumulated through June 30, 2008; \$692,575 of City imposed environmental gross receipts tax and service charge revenue to be used to satisfy the landfill closure and post closure care liability as well as other solid waste cost issues. These funds are included under restricted cash and cash equivalents within the Joint Enterprise Fund. The City has satisfied State determined financial assurance requirements for closure and post closure costs and related assessments through the State's analysis of the City's present financial stature. The City is in the process of obtaining a new operational landfill permit to open a new landfill adjacent to the old landfill.

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

LONG TERM DEBT: (continued)

Restricted Assets

The balances of the restricted asset accounts are as follows:

	Enterprise Funds
Meter deposits	\$ 83,805
Debt requirements	521,238
Land Closure and Solid Waste Reserve	348,575
Water Rights Acquisition Reserve	<u>15,050</u>
Total restricted assets	<u>\$ 968,668</u>

POST-EMPLOYMENT BENEFITS:

Retirement Plan

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

Funding Policy. Plan members are required to contribute a percentage of their gross salary. The City of Socorro is required to contribute 18.5% for law enforcement officers, 21.25% for fire protection workers and 9.15% for all other employees, of the gross covered salary. In addition to the state employer contribution percentages above, the City currently pays 75% of the required employee contributions of 13.15% for all regular employee members. The contribution requirements of plan members and the City of Socorro are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The City of Socorro's contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were \$715,597, \$699,194 and \$632,131, respectively, equal to the amount of the required contributions for each year.

4. DETAILED NOTES ON ALL FUNDS (Continued)

POST-EMPLOYMENT BENEFITS: (continued)

Deferred Compensation Plan

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

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

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

Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan and an additional participation fee of five dollars if the

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

POST-EMPLOYMENT BENEFITS: (continued)

eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City of Socorro contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$46,398, \$46,251, \$42,778, respectively, which equal the required contributions for each year.

Risk Management

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

Deficit Fund Equity

The Street Improvement Fund has a deficit fund balance of \$126,154 and the Fire Academy Sewer Project has a deficit fund balance of \$12,888 as of June 30, 2008. It is anticipated that the deficit will be funded by future increases in revenue or transfers from the General Fund.

Expenditures in Excess of Budget

Actual expenditures exceeded budgeted expenditures at the total fund level for the following funds:

Emergency Medical Services Fund	\$5,027
Plaza Park Renovations	17,906
Lodgers Tax Fund	40,679

4. DETAILED NOTES ON ALL FUNDS (Continued)

Related Party Transactions

The City's mayor and council members own various businesses in their local area. For the year end June 30, 2008 the City paid Holiday Inn Express \$428 for facility rent which is owned by Mayor Bhasker.

Contingencies

The City has been notified that the New Mexico Environment Department (NMED) has detected unacceptable levels of trichloroethylene (TCE) in underground wells, which NMED believes has come from property that the City owns. The property, known as Eagle Picher Site, was gifted to the City in 1976. Prior to the City's ownership, a private company operated a manufacturing plant on the property and subsequent to that the City leased the site to various tenants. The United States Environmental Protection Agency (EPA) is seeking information regarding the City's role in property ownership and control. The City maintains that it never contributed to the TCE contamination and, while the origination of the contamination is still being investigated, the City remains a potentially responsible party. Preliminary estimates place the cost of remediation of the groundwater in question in excess of \$5,000,000. Although no litigation has been instituted, the City is preparing to contest and defend itself.

Joint Powers Agreement

A mutual agreement between the City of Socorro and the New Mexico Public Regulation Commission dated March 15, 2007 to plan, design and construct a sewer system connecting the New Mexico State Fire Training Academy to the City's sewer system. The Commission agrees to expend amounts appropriated to the Commission by the Legislature of the State of New Mexico in Laws 2007, Ch. 42, Section 19, and 62, a total of \$250,000 and hold the City harmless for any cost overruns. The City will comply with all administrative procedures as provided in the memorandum of understanding as well as, operate and maintain the project after completion. The agreement will terminate on June 30, 2010.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

NARCOTICS ASSISTANCE FUND – established by City ordinance to account for assistance received for narcotics prevention. Resources for the program are provided by grants from the New Mexico Department of Finance and Administration, Local Government Division, Federal Government and through the sale of confiscated assets. Expenditures are to be used for activities which prevent and/or control the distribution of narcotic substances.

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

LIBRARY FUND – established by City ordinance 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.

CAPITAL PROJECTS FUNDS

SWIMMING POOL IMPROVEMENT FUND – to account for improvements to the municipal swimming pool. Resources for the project are provided by a temporary transfer from the Enterprise Fund for \$120,000.

ANIMAL CONTROL SHELTER – to account for improvements to the animal control shelter. Resources for this project are provided by transfers from the General Fund.

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

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

CDBG Planning Econ/Dev – to account for improvements to various roads. Resources for the project are provided by a Community Development Block Grant and City matching funds.

Fire Academy Sewer Project – to account for sewer connection between the New Mexico State Fire Training Academy and the City. Resources for the project are provided State Appropriations to the New Mexico Environment Department and State Fire Marshal of the New Mexico Public Regulation Commission.

Rodeo Arena & Convention Center – to account for improvements and facilities to the arena and convention center. Resources for this project are provided by transfers from the General Fund.

**STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

Special Revenue

ASSETS	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund
Cash	\$ 31,043	\$ 22,679	\$ 160,092	\$ 27,176
Accounts receivable	<u>-</u>	<u>421</u>	<u>32,205</u>	<u>-</u>
Total assets	<u>\$ 31,043</u>	<u>\$ 23,100</u>	<u>\$ 192,297</u>	<u>\$ 27,176</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
Accounts payable	<u>613</u>	<u>1,423</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>613</u>	<u>1,423</u>	<u>-</u>	<u>-</u>
 Fund balances:				
Reserved for capital projects	-	-	-	-
Unreserved and undesignated	<u>30,430</u>	<u>21,677</u>	<u>192,297</u>	<u>27,176</u>
Total fund balances	<u>30,430</u>	<u>21,677</u>	<u>192,297</u>	<u>27,176</u>
Total liabilities and fund balances	<u>\$ 31,043</u>	<u>\$ 23,100</u>	<u>\$ 192,297</u>	<u>\$ 27,176</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue

Emergency Medical Services Fund	Law Enforcement Protection Fund	Correctional Fees Fund	Narcotics Assistance Fund	Sedillo Park Renovations Fund	Library Fund	Total
\$ 1,872	\$ 6,351	\$ 22,983	\$ 9,545	\$ 51,564	\$ 23,868	\$ 357,173
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,626</u>
<u>\$ 1,872</u>	<u>\$ 6,351</u>	<u>\$ 22,983</u>	<u>\$ 9,545</u>	<u>\$ 51,564</u>	<u>\$ 23,868</u>	<u>\$ 389,799</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,036</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,036</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,872</u>	<u>6,351</u>	<u>22,983</u>	<u>9,545</u>	<u>51,564</u>	<u>23,868</u>	<u>387,763</u>
<u>1,872</u>	<u>6,351</u>	<u>22,983</u>	<u>9,545</u>	<u>51,564</u>	<u>23,868</u>	<u>387,763</u>
<u>\$ 1,872</u>	<u>\$ 6,351</u>	<u>\$ 22,983</u>	<u>\$ 9,545</u>	<u>\$ 51,564</u>	<u>\$ 23,868</u>	<u>\$ 389,799</u>

(Continued)

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
JUNE 30, 2008

Capital Projects

ASSETS	<u>Swimming Pool Improvement Fund</u>	<u>Animal Control Shelter</u>	<u>Airport Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Fire Academy Sewer Project</u>
Cash	\$ -	\$ 5,551	\$ 155,611	\$ 18,265	\$ 23,033
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,799</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 5,551</u></u>	<u><u>\$ 155,611</u></u>	<u><u>\$ 18,265</u></u>	<u><u>\$ 116,832</u></u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ 93,799
Accounts payable	<u>-</u>	<u>-</u>	<u>122,952</u>	<u>144,419</u>	<u>35,921</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>122,952</u>	<u>144,419</u>	<u>129,720</u>
 Fund balances:					
Reserved for capital projects	-	5,551	32,659	(126,154)	(12,888)
Unreserved and undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>5,551</u>	<u>32,659</u>	<u>(126,154)</u>	<u>(12,888)</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ 5,551</u></u>	<u><u>\$ 155,611</u></u>	<u><u>\$ 18,265</u></u>	<u><u>\$ 116,832</u></u>

The accompanying notes are an integral part of these financial statements.

Capital Projects

Rodeo Arena and Convention Center	CDBG Planning Econ/Dev	Total	Nonmajor Governmental Funds
\$ 59,950	\$ 21,998	\$ 284,408	\$ 641,581
<u>40,000</u>	<u>-</u>	<u>133,799</u>	<u>166,425</u>
<u>\$ 99,950</u>	<u>\$ 21,998</u>	<u>\$ 418,207</u>	<u>\$ 808,006</u>
\$ -	\$ -	\$ 93,799	\$ 93,799
<u>-</u>	<u>-</u>	<u>303,292</u>	<u>305,328</u>
<u>-</u>	<u>-</u>	<u>397,091</u>	<u>399,127</u>
99,950	21,998	21,116	21,116
<u>-</u>	<u>-</u>	<u>-</u>	<u>387,763</u>
<u>99,950</u>	<u>21,998</u>	<u>21,116</u>	<u>408,879</u>
<u>\$ 99,950</u>	<u>\$ 21,998</u>	<u>\$ 418,207</u>	<u>\$ 808,006</u>

(Continued)

**STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Special Revenue</u>			
	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>	<u>Lodgers Tax Fund</u>	<u>Lodgers Tax Promotional Fund</u>
REVENUES				
Taxes:				
Lodgers' tax	\$ -	\$ -	\$ 195,218	\$ 171,876
Other state shared taxes		4,972		
Intergovernmental	153,836	-	14,872	-
Charges for services	-	19,009	-	-
Fines and forfeitures	-	-	-	-
Other	-	5,830	-	2,929
Total revenues	<u>153,836</u>	<u>29,811</u>	<u>210,090</u>	<u>174,805</u>
EXPENDITURES				
Current operations:				
General government	-	-	-	-
Public safety	105,184	-	-	-
Culture and recreation	-	234,867	119,427	179,188
Capital outlay	<u>42,900</u>	<u>-</u>	<u>-</u>	<u>6,400</u>
Total expenditures	<u>148,084</u>	<u>234,867</u>	<u>119,427</u>	<u>185,588</u>
Excess (deficiency) of revenues over expenditures	5,752	(205,056)	90,663	(10,783)
Other financing sources (uses):				
Transfers in	-	222,885	-	-
Transfers out	-	-	(50,000)	-
Total other financing sources (uses)	<u>-</u>	<u>222,885</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	5,752	17,829	40,663	(10,783)
Fund balances, beginning of year	<u>24,678</u>	<u>3,848</u>	<u>151,634</u>	<u>37,959</u>
Fund balances, end of year	<u>\$ 30,430</u>	<u>\$ 21,677</u>	<u>\$ 192,297</u>	<u>\$ 27,176</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue

Emergency Medical Services Fund	Law Enforcement Protection Fund	Correctional Fees Fund	Narcotics Assistance Fund	Sedillo Park Renovations Fund	Library Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,094
						4,972
121,750	32,000	-	20,517	-	684	343,659
-	-	-	-	24,859	-	43,868
-	-	20,273	-	-	-	20,273
-	-	-	-	-	13,951	22,710
<u>121,750</u>	<u>32,000</u>	<u>20,273</u>	<u>20,517</u>	<u>24,859</u>	<u>14,635</u>	<u>802,576</u>
-	-	-	-	-	-	-
19,745	13,745	60,000	14,241	-	-	212,915
-	-	-	-	15,053	5,369	553,904
<u>102,032</u>	<u>17,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,377</u>
<u>121,777</u>	<u>30,790</u>	<u>60,000</u>	<u>14,241</u>	<u>15,053</u>	<u>5,369</u>	<u>935,196</u>
(27)	1,210	(39,727)	6,276	9,806	9,266	(132,620)
-	-	-	2,000	-	-	224,885
-	-	-	-	-	-	(50,000)
-	-	-	2,000	-	-	174,885
(27)	1,210	(39,727)	8,276	9,806	9,266	42,265
<u>1,899</u>	<u>5,141</u>	<u>62,710</u>	<u>1,269</u>	<u>41,758</u>	<u>14,602</u>	<u>345,498</u>
<u>\$ 1,872</u>	<u>\$ 6,351</u>	<u>\$ 22,983</u>	<u>\$ 9,545</u>	<u>\$ 51,564</u>	<u>\$ 23,868</u>	<u>\$ 387,763</u>

(Continued)

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Capital Projects</u>				
	<u>Swimming Pool Improvement Fund</u>	<u>Animal Control Shelter</u>	<u>Airport Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Fire Academy Sewer Project</u>
REVENUES					
Taxes:					
Lodgers' tax	\$ -	\$ -	\$ -	\$ -	\$ -
Other state shared taxes	-	-	-	-	-
Intergovernmental	-	-	-	63,000	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,000</u>	<u>-</u>
EXPENDITURES					
Current operations:					
General government	7,948	3,840	5,204	18,540	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>122,952</u>	<u>402,251</u>	<u>112,888</u>
Total expenditures	<u>7,948</u>	<u>3,840</u>	<u>128,156</u>	<u>420,791</u>	<u>112,888</u>
Excess (deficiency) of revenues over expenditures	(7,948)	(3,840)	(128,156)	(357,791)	(112,888)
Other financing sources (uses):					
Transfers in	-	-	157,381	387,836	100,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>157,381</u>	<u>387,836</u>	<u>100,000</u>
Net change in fund balances	(7,948)	(3,840)	29,225	30,045	(12,888)
Fund balances, beginning of year	<u>7,948</u>	<u>9,391</u>	<u>3,434</u>	<u>(156,199)</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 5,551</u>	<u>\$ 32,659</u>	<u>\$ (126,154)</u>	<u>\$ (12,888)</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects

Rodeo Arena and Convention Center	CDBG Planning Econ/Dev	Total	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 367,094
-	-	-	4,972
40,000	-	103,000	446,659
-	-	-	43,868
-	-	-	20,273
-	-	-	22,710
<u>40,000</u>	<u>-</u>	<u>103,000</u>	<u>905,576</u>
1,621	-	37,153	37,153
-	-	-	212,915
-	-	-	553,904
<u>78,429</u>	<u>28,002</u>	<u>744,522</u>	<u>912,899</u>
<u>80,050</u>	<u>28,002</u>	<u>781,675</u>	<u>1,716,871</u>
(40,050)	(28,002)	(678,675)	(811,295)
140,000	50,000	835,217	1,060,102
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<u>140,000</u>	<u>50,000</u>	<u>835,217</u>	<u>1,010,102</u>
99,950	21,998	156,542	198,807
<u>-</u>	<u>-</u>	<u>(135,426)</u>	<u>210,072</u>
<u>\$ 99,950</u>	<u>\$ 21,998</u>	<u>\$ 21,116</u>	<u>\$ 408,879</u>

(Continued)

**STATE OF NEW MEXICO
CITY OF SOCORRO
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ <u>153,836</u>	\$ <u>153,836</u>	\$ <u>153,836</u>	\$ <u>-</u>
Total revenues	<u>153,836</u>	<u>153,836</u>	<u>153,836</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public Safety	103,770	103,770	108,115	(4,345)
Capital Outlay	<u>74,354</u>	<u>74,354</u>	<u>42,900</u>	<u>31,454</u>
Total expenditures	<u>178,124</u>	<u>178,124</u>	<u>151,015</u>	<u>27,109</u>
Excess (deficiency) of revenues over expenditures	(<u>24,288</u>)	(<u>24,288</u>)	<u>2,821</u>	(<u>27,109</u>)
Net change in fund balances	\$ (<u>24,288</u>)	\$ (<u>24,288</u>)	\$ <u>2,821</u>	\$ (<u>27,109</u>)
Beginning cash balance	\$ <u>28,222</u>	\$ <u>28,222</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 2,821	
Change in payables			<u>2,931</u>	
Net change in fund balances GAAP basis			<u>\$ 5,752</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other state shared taxes	\$ 4,000	\$ 4,000	\$ 4,972	\$ 972
State grants	56,268	56,268	-	(56,268)
Charges for services	17,000	17,000	19,009	2,009
Other	<u>-</u>	<u>-</u>	<u>5,895</u>	<u>5,895</u>
Total revenues	<u>77,268</u>	<u>77,268</u>	<u>29,876</u>	<u>(47,392)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	241,185	241,185	233,857	7,328
Capital Outlay	<u>56,268</u>	<u>56,268</u>	<u>-</u>	<u>56,268</u>
Total expenditures	<u>297,453</u>	<u>297,453</u>	<u>233,857</u>	<u>63,596</u>
Excess (deficiency) of revenues over expenditures	<u>(220,185)</u>	<u>(220,185)</u>	<u>(203,981)</u>	<u>16,204</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>222,885</u>	<u>222,885</u>	<u>222,885</u>	<u>-</u>
Total other financing sources (uses)	<u>222,885</u>	<u>222,885</u>	<u>222,885</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,700</u>	<u>\$ 2,700</u>	<u>\$ 18,904</u>	<u>\$ 16,204</u>
Beginning cash balance	<u>\$ 3,775</u>	<u>\$ 3,775</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 18,904	
Change in receivables			(65)	
Change in payables			<u>(1,010)</u>	
Net change in fund balances GAAP basis			<u>\$ 17,829</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
LODGERS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodgers' tax	\$ 90,000	\$ 90,000	\$ 177,170	\$ 87,170
State grants	<u>-</u>	<u>-</u>	<u>14,872</u>	<u>14,872</u>
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>192,042</u>	<u>102,042</u>
EXPENDITURES				
Current operations:				
Culture and recreation	76,000	76,000	119,679	(43,679)
Capital Outlay	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>79,000</u>	<u>79,000</u>	<u>119,679</u>	<u>(40,679)</u>
Excess (deficiency) of revenues over expenditures	<u>11,000</u>	<u>11,000</u>	<u>72,363</u>	<u>61,363</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(50,000)	(50,000)	<u>-</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,000</u>	<u>\$ (39,000)</u>	<u>\$ 22,363</u>	<u>\$ 61,363</u>
Beginning cash balance	<u>\$ 137,729</u>	<u>\$ 137,729</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 22,363	
Change in receivables			18,048	
Change in payables			<u>252</u>	
Net change in fund balances GAAP basis			<u>\$ 40,663</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
LODGERS TAX PROMOTIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Lodgers' tax	\$ 190,000	\$ 190,000	\$ 171,876	\$(18,124)
Other	<u>10,000</u>	<u>10,000</u>	<u>2,929</u>	<u>(7,071)</u>
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>174,805</u>	<u>(25,195)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	193,040	193,040	179,188	13,852
Capital Outlay	<u>6,000</u>	<u>6,000</u>	<u>6,400</u>	<u>(400)</u>
Total expenditures	<u>199,040</u>	<u>199,040</u>	<u>185,588</u>	<u>13,452</u>
Excess (deficiency) of revenues over expenditures	<u>960</u>	<u>960</u>	<u>(10,783)</u>	<u>(38,647)</u>
Net change in fund balances	<u>\$ 960</u>	<u>\$ 960</u>	<u>\$(10,783)</u>	<u>\$(38,647)</u>
 Beginning cash balance	 <u>\$ 37,959</u>	 <u>\$ 37,959</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
State grants	\$ 116,750	\$ 116,750	\$ 121,750	\$ 5,000
Total revenues	<u>116,750</u>	<u>116,750</u>	<u>121,750</u>	<u>5,000</u>
EXPENDITURES				
Current operations:				
Public Safety	20,000	20,000	19,745	255
Capital Outlay	<u>96,750</u>	<u>96,750</u>	<u>102,032</u>	<u>(5,282)</u>
Total expenditures	<u>116,750</u>	<u>116,750</u>	<u>121,777</u>	<u>(5,027)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>(27)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$(27)</u>	<u>\$(27)</u>
 Beginning cash balance	 <u>\$ 1,899</u>	 <u>\$ 1,899</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 30,800	\$ 30,800	\$ 32,000	\$ 1,200
Total revenues	<u>30,800</u>	<u>30,800</u>	<u>32,000</u>	<u>1,200</u>
EXPENDITURES				
Current operations:				
Public Safety	-	-	13,745	(13,745)
Capital Outlay	<u>30,800</u>	<u>30,800</u>	<u>17,045</u>	<u>13,755</u>
Total expenditures	<u>30,800</u>	<u>30,800</u>	<u>30,790</u>	<u>10</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>1,210</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ 1,210</u>
 Beginning cash balance	 <u>\$ 5,141</u>	 <u>\$ 5,141</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
CORRECTIONAL FEE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Fines and forfeitures	\$ <u>16,000</u>	\$ <u>16,000</u>	\$ <u>20,273</u>	\$ <u>4,273</u>
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>20,273</u>	<u>4,273</u>
EXPENDITURES				
Current operations:				
Public Safety	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(<u>44,000</u>)	(<u>44,000</u>)	(<u>39,727</u>)	<u>4,273</u>
Net change in fund balances	\$ (<u>44,000</u>)	\$ (<u>44,000</u>)	\$ (<u>39,727</u>)	\$ <u>4,273</u>
Beginning cash balance	\$ <u>62,710</u>	\$ <u>62,710</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
NARCOTICS ASSISTANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Federal grants	\$ 8,000	\$ 35,524	\$ 20,517	\$(15,007)
Total revenues	<u>8,000</u>	<u>35,524</u>	<u>20,517</u>	<u>(15,007)</u>
EXPENDITURES				
Current operations:				
Public Safety	<u>7,244</u>	<u>38,648</u>	<u>14,241</u>	<u>24,407</u>
Total expenditures	<u>7,244</u>	<u>38,648</u>	<u>14,241</u>	<u>24,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,000</u>	<u>5,880</u>	<u>2,000</u>	<u>(3,880)</u>
Total other financing sources (uses)	<u>2,000</u>	<u>5,880</u>	<u>2,000</u>	<u>(3,880)</u>
Excess (deficiency) of revenues over expenditures	<u>2,756</u>	<u>2,756</u>	<u>8,276</u>	<u>5,520</u>
Net change in fund balances	<u>\$ 2,756</u>	<u>\$ 2,756</u>	<u>\$ 8,276</u>	<u>\$ 5,520</u>
Beginning cash balance	<u>\$ 1,269</u>	<u>\$ 1,269</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
SEDILLO PARK RENOVATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ <u>19,000</u>	\$ <u>19,000</u>	\$ <u>24,859</u>	\$ <u>5,859</u>
Total revenues	<u>19,000</u>	<u>19,000</u>	<u>24,859</u>	<u>5,859</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>16,000</u>	<u>16,000</u>	<u>15,053</u>	<u>947</u>
Total expenditures	<u>16,000</u>	<u>16,000</u>	<u>15,053</u>	<u>947</u>
Excess (deficiency) of revenues over expenditures	<u>3,000</u>	<u>3,000</u>	<u>9,806</u>	<u>6,806</u>
Net change in fund balances	\$ <u>3,000</u>	\$ <u>3,000</u>	\$ <u>9,806</u>	\$ <u>6,806</u>
Beginning cash balance	\$ <u>41,758</u>	\$ <u>41,758</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 750	\$ 750	\$ 684	\$(66)
Charges for services	1,400	1,400	-	(1,400)
Other	2,000	2,000	13,224	11,224
Investment	<u>500</u>	<u>500</u>	<u>727</u>	<u>227</u>
Total revenues	<u>4,650</u>	<u>4,650</u>	<u>14,635</u>	<u>9,985</u>
EXPENDITURES				
Current operations:				
Culture and recreation	4,650	4,556	5,369	(813)
Capital Outlay	<u>14,400</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total expenditures	<u>19,050</u>	<u>18,556</u>	<u>5,369</u>	<u>13,187</u>
Excess (deficiency) of revenues over expenditures	<u>(14,400)</u>	<u>(13,906)</u>	<u>9,266</u>	<u>23,172</u>
Net change in fund balances	<u>\$(14,400)</u>	<u>\$(13,906)</u>	<u>\$ 9,266</u>	<u>\$ 23,172</u>
 Beginning cash balance	 <u>\$ 14,602</u>	 <u>\$ 14,602</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SWIMMING POOL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current operations:				
General government	-	7,948	7,948	-
Capital Outlay	<u>7,948</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,948</u>	<u>7,948</u>	<u>7,948</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>7,948</u>	<u>7,948</u>	<u>(7,948)</u>	<u>-</u>
Net change in fund balances	<u>\$ 7,948</u>	<u>\$ 7,948</u>	<u>\$(7,948)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 7,948</u>	<u>\$ 7,948</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
ANIMAL CONTROL SHELTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ <u>69,180</u>	\$ <u>69,180</u>	\$ -	\$(69,180)
Total revenues	<u>69,180</u>	<u>69,180</u>	-	(69,180)
EXPENDITURES				
Current operations:				
General government	-	-	3,840	(3,840)
Capital Outlay	<u>50,000</u>	<u>50,000</u>	-	<u>50,000</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>3,840</u>	<u>46,160</u>
Excess (deficiency) of revenues over expenditures	<u>19,180</u>	<u>19,180</u>	(3,840)	(23,020)
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	-	(20,000)
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	-	<u>(20,000)</u>
Net change in fund balances	<u>\$(820)</u>	<u>\$(820)</u>	<u>\$(3,840)</u>	<u>\$(3,020)</u>
Beginning cash balance	<u>\$ 9,391</u>	<u>\$ 9,391</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
AIRPORT IMPROVEMENTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Federal grants	\$ 280,468	\$ 280,468	\$ -	\$(280,468)
State grants	<u>7,381</u>	<u>7,381</u>	<u>-</u>	<u>(7,381)</u>
Total revenues	<u>287,849</u>	<u>287,849</u>	<u>-</u>	<u>(287,849)</u>
EXPENDITURES				
Current operations:				
General government	-	-	5,204	(5,204)
Capital Outlay	<u>295,230</u>	<u>272,887</u>	<u>-</u>	<u>272,887</u>
Total expenditures	<u>295,230</u>	<u>272,887</u>	<u>5,204</u>	<u>267,683</u>
Excess (deficiency) of revenues over expenditures	<u>(7,381)</u>	<u>14,962</u>	<u>(5,204)</u>	<u>(20,166)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>7,381</u>	<u>7,381</u>	<u>157,381</u>	<u>150,000</u>
Total other financing sources (uses)	<u>7,381</u>	<u>7,381</u>	<u>157,381</u>	<u>150,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 22,343</u>	<u>\$ 152,177</u>	<u>\$ 129,834</u>
Beginning cash balance	<u>\$ 3,434</u>	<u>\$ 3,434</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 152,177	
Change in payables			<u>(122,952)</u>	
Net change in fund balances GAAP basis			<u>\$ 29,225</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
STREET IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
State grants	\$ <u>1,060,507</u>	\$ <u>1,123,507</u>	\$ <u>63,000</u>	\$(<u>1,060,507</u>)
Total revenues	<u>1,060,507</u>	<u>1,123,507</u>	<u>63,000</u>	<u>(1,060,507)</u>
EXPENDITURES				
Current operations:				
General government	-	-	18,540	(18,540)
Capital Outlay	<u>1,168,342</u>	<u>1,323,342</u>	<u>648,337</u>	<u>675,005</u>
Total expenditures	<u>1,168,342</u>	<u>1,323,342</u>	<u>666,877</u>	<u>656,465</u>
Excess (deficiency) of revenues				
over expenditures	(<u>107,835</u>)	(<u>199,835</u>)	(<u>603,877</u>)	(<u>404,042</u>)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>157,836</u>	<u>449,836</u>	<u>387,836</u>	(<u>62,000</u>)
Total other financing sources (uses)	<u>157,836</u>	<u>449,836</u>	<u>387,836</u>	(<u>62,000</u>)
Net change in fund balances	\$ <u>50,001</u>	\$ <u>250,001</u>	\$(<u>216,041</u>)	\$(<u>466,042</u>)
Beginning cash balance	\$ <u>48,062</u>	\$ <u>48,062</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(216,041)	
Change in payables			<u>59,842</u>	
Net change in fund balances GAAP basis			\$(<u>156,199</u>)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
FIRE ACADEMY SEWER PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
State grants	\$ -	\$ 135,000	\$ -	\$(135,000)
Total revenues	<u>-</u>	<u>135,000</u>	<u>-</u>	<u>(135,000)</u>
EXPENDITURES				
Current operations:				
Capital Outlay	<u>-</u>	<u>135,000</u>	<u>76,967</u>	<u>58,033</u>
Total expenditures	<u>-</u>	<u>135,000</u>	<u>76,967</u>	<u>58,033</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(76,967)</u>	<u>(76,967)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(100,000)	-	(100,000)
Transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,033</u>	<u>\$ 23,033</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 23,033	
Change in payables			(35,921)	
Net change in fund balances GAAP basis			<u>\$(12,888)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
RODEO ARENA AND CONVENTION CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current operations:				
General government	-	-	1,621	(1,621)
Capital Outlay	<u>-</u>	<u>135,000</u>	<u>78,429</u>	<u>56,571</u>
Total expenditures	<u>-</u>	<u>135,000</u>	<u>80,050</u>	<u>54,950</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(135,000)</u>	<u>(80,050)</u>	<u>54,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 59,950</u>	<u>\$ 54,950</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 59,950	
Change in receivables			<u>40,000</u>	
Net change in fund balances GAAP basis			<u>\$ 99,950</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
CDBG PLANNING ECON/DEV
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ 400,000	\$ 400,000	\$ -	\$(400,000)
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
EXPENDITURES				
Current operations:				
Capital Outlay	<u>313,710</u>	<u>450,000</u>	<u>28,002</u>	<u>421,998</u>
Total expenditures	<u>313,710</u>	<u>450,000</u>	<u>28,002</u>	<u>421,998</u>
Excess (deficiency) of revenues over expenditures	<u>86,290</u>	<u>(50,000)</u>	<u>(28,002)</u>	<u>421,998</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 136,290</u>	<u>\$ -</u>	<u>\$ 21,998</u>	<u>\$ 421,998</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
PLAZA PARK RENOVATIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State grants	\$ 917,000	\$ 917,000	\$ 597,000	\$(320,000)
Investment income	<u>-</u>	<u>-</u>	<u>25,892</u>	<u>25,892</u>
Total revenues	<u>917,000</u>	<u>917,000</u>	<u>622,892</u>	<u>(294,108)</u>
EXPENDITURES				
Current operations:				
Public safety	-	-	25,979	(25,979)
Capital Outlay	<u>2,038,320</u>	<u>2,038,320</u>	<u>2,030,247</u>	<u>8,073</u>
Total expenditures	<u>2,038,320</u>	<u>2,038,320</u>	<u>2,056,226</u>	<u>(17,906)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,121,320)</u>	<u>(1,121,320)</u>	<u>(1,433,334)</u>	<u>(312,014)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>100,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balances	<u>\$(1,021,320)</u>	<u>\$(721,320)</u>	<u>\$(1,033,334)</u>	<u>\$(312,014)</u>
Beginning cash balance	<u>\$ 1,160,700</u>	<u>\$ 1,160,700</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(1,033,334)	
Change in payables			<u>4,598</u>	
Net change in fund balances GAAP basis			<u>\$(1,028,736)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
DEBT SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Gross receipts tax	\$ 117,327	\$ 117,327	\$ 117,327	\$ -
Investment	<u>6,346</u>	<u>6,346</u>	<u>2,988</u>	<u>(3,358)</u>
Total revenues	<u>123,673</u>	<u>123,673</u>	<u>120,315</u>	<u>(3,358)</u>
EXPENDITURES				
Current operations:				
Capital Outlay	201,150	200,501	-	200,501
Debt service:				
Principal	87,445	87,445	74,088	13,357
Interest	45,962	45,962	41,413	4,549
Fees and other	<u>2,351</u>	<u>2,351</u>	<u>1,620</u>	<u>731</u>
Total expenditures	<u>336,908</u>	<u>336,259</u>	<u>117,121</u>	<u>219,138</u>
Excess (deficiency) of revenues over expenditures	<u>(213,235)</u>	<u>(212,586)</u>	<u>3,194</u>	<u>215,780</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,800	709,419	101,817	(607,602)
Transfers out	<u>(265,217)</u>	<u>(1,049,836)</u>	<u>(987,836)</u>	<u>62,000</u>
Total other financing sources (uses)	<u>(248,417)</u>	<u>(340,417)</u>	<u>(886,019)</u>	<u>(545,602)</u>
Net change in fund balances	<u>\$ (461,652)</u>	<u>\$ (553,003)</u>	<u>\$ (882,825)</u>	<u>\$ (329,822)</u>
Beginning cash balance	<u>\$ 1,278,242</u>	<u>\$ 1,278,242</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Operating Revenues:				
Charges for services	\$ 6,113,000	\$ 6,113,000	\$ 6,288,793	\$ 175,793
Connection charges	61,000	61,000	73,963	12,963
Other revenue	7,000	7,000	14,570	7,570
Total operating revenues	<u>6,181,000</u>	<u>6,181,000</u>	<u>6,377,326</u>	<u>196,326</u>
Operating Expenses:				
Natural gas purchases	1,550,000	1,795,000	2,075,755	(280,755)
Salaries	1,429,211	1,485,011	1,474,757	10,254
Benefits	579,782	579,547	522,055	57,492
Other operating expense	2,167,228	2,337,964	1,963,228	374,736
Payment in lieu of taxes	232,504	286,504	274,471	12,033
Engineering fees	-	100,000	-	100,000
Administrative reimbursement to general fund	439,243	220,723	-	220,723
Total operating expenses excluding non-budgeted expenses	<u>6,397,968</u>	<u>6,804,749</u>	<u>6,310,266</u>	<u>494,483</u>
Net operating income excluding non-budgeted expenses	<u>(216,968)</u>	<u>(623,749)</u>	<u>67,060</u>	<u>690,809</u>
Non-operating income (deductions):				
Taxes	70,000	70,000	86,585	16,585
Interest income	101,332	101,332	82,091	(19,241)
Interest expense	(47,001)	(47,001)	(61,436)	(14,435)
Principal expense	(139,436)	(139,436)	-	139,436
Transfers in (out) from other funds	-	200,000	-	(200,000)
Capital grants	63,027	63,027	8,365	(54,662)
Total non-operating income (deductions)	<u>47,922</u>	<u>247,922</u>	<u>115,605</u>	<u>(132,317)</u>
Net income (loss), excluding non-budgeted expenses	<u>(169,046)</u>	<u>(375,827)</u>	<u>182,665</u>	<u>558,492</u>
Less non-budgeted expenses:				
Depreciation	-	-	608,681	(608,681)
Total non-budgeted expenses	<u>-</u>	<u>-</u>	<u>608,681</u>	<u>(608,681)</u>
Net income (loss)	<u>\$(169,046)</u>	<u>\$(375,827)</u>	<u>\$(426,016)</u>	<u>\$(50,189)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
DEPARTMENTAL
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Natural Gas</u>	<u>Water</u>	<u>Waste Water</u>	<u>Solid Waste</u>
Operating Revenues:				
Charges for services	\$ 3,374,709	\$ 1,020,390	\$ 897,026	\$ 645,345
Connection charges	21,229	27,655	25,079	-
Other revenue	2,306	10,993	1,271	-
Total operating revenues	<u>3,398,244</u>	<u>1,059,038</u>	<u>923,376</u>	<u>645,345</u>
Operating Expenses:				
Natural gas purchases	2,075,755	-	-	-
Salaries	394,352	386,796	293,207	136,986
Benefits	117,687	128,354	126,230	41,229
Other operating expense	370,099	479,518	634,196	142,762
Depreciation	109,044	126,216	263,537	52,013
Payment in lieu of taxes	176,684	51,901	45,886	-
Total operating expenses	<u>3,243,621</u>	<u>1,172,785</u>	<u>1,363,056</u>	<u>372,990</u>
Operating income (loss)	154,623	(113,747)	(439,680)	272,355
Non-operating income (deductions):				
Taxes				
Interest income				
Interest expense				
Transfers in (out) from other funds				
Capital grants				
Total non-operating income (deductions)				
Net income (loss)				

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
\$ 350,641	\$ 682	\$ 6,288,793
-	-	73,963
-	-	14,570
<u>350,641</u>	<u>682</u>	<u>6,377,326</u>
-	-	2,075,755
199,480	63,936	1,474,757
85,989	22,566	522,055
326,604	10,049	1,963,228
57,871	-	608,681
-	-	274,471
<u>669,944</u>	<u>96,551</u>	<u>6,918,947</u>
(319,303)	(95,869)	(541,621)
		86,585
		82,091
		(61,436)
		-
		<u>8,365</u>
		<u>115,605</u>
		(426,016)
		<u>9,591,298</u>
		<u>\$ 9,165,282</u>



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregated remaining fund information, and major special revenue funds, the combining and individual funds, and budgetary comparisons presented as supplemental information, of the City of Socorro, New Mexico as of and for the year ended June 30, 2008, and have issued our report thereon, dated August 11, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Socorro, New Mexico's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be a significant deficiencies in internal control over financial reporting as findings 2006-1, 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Socorro, New Mexico's internal control.

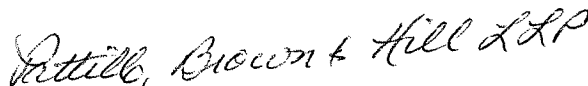
Our consideration of the internal control over financial reporting was for the limited purpose described the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Socorro, New Mexico's basic 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 *Governmental Auditing Standards*, which are described in the accompanying Schedule of Findings and Responses as 2006-1, 2008-1 and 2008-2.

City of Socorro, New Mexico's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City, the Office of the State Auditor, New Mexico Legislature and the New Mexico Department of Finance and Administration and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
August 11, 2009

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

A. Findings – Financial Statements Audit

Reportable Conditions – Prior Year

2006-1 Late Submission of Audit Report-repeat

Current Year

2006-1 Late Submission of Audit Report

2008-1 Utility year-end Accounts Receivable

2008-2 Excess of Expenditures Over Budget

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2006 – 1

Submission of Audit Report:

Condition: The audit report was submitted to the State Auditor on August 11, 2009, after the due date of December 1st.

Criteria: Section 2.2.2.9.A of the Audit Rule 2008 establishes the audit due date for municipalities as December 1st.

Effect: Noncompliance with section 2.2.2.9.A of the State Audit Rule 2008. Late audit reports could have an effect on local, state and federal funding.

Cause: Due to conversion to a new accounting system in the fiscal year the City was not ready for the audit to begin until December. In addition, information including fixed assets, landfill closure costs, inventories and various confirmations needed to complete the audit report were not delivered to the auditor in a timely manner causing the report to be completed after the due date.

Recommendation: The City and auditor must work together to complete audit information in a timely manner to allow for delivery of the report by the due date.

Response: The City concurs with the auditors' recommendations. In addition, the City will monitor the progress of the audit process to ensure that future reports will be issued on or before the December 1st due date.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

2008 - 1 Utility Year-End Accounts Receivable:

Condition: The June 30, 2008 accounts receivable year end balances for utilities did not correspond with subsidiary records. The general ledger was overstated by approximately \$24,000.

Criteria: NMSA 1978, 6-5-3 states that all accounting systems including subsidiary systems should record transactions timely, completely, and accurately.

Effect: The accounts receivable balances could be overstated as well as income for the current fiscal year.

Cause: The City purchased an on-line payment program during the course of the fiscal year. The company providing the program did not have reports developed to accurately report on the new on-line function.

Recommendation: The subsidiary records and general ledger should be balanced monthly to ensure all entries and adjustments have been properly recorded and agree to the subsidiary ledgers.

Response: The City agrees with the recommendation and has been working with the software company to resolve the discrepancies.

2008 - 2 Excess of Expenditures Over Budget

Condition: Actual expenditures exceeded budgeted expenditures at the total fund level for the following funds:

Emergency Medical Services Fund	\$5,027
Plaza Park Renovations	17,906
Lodgers Tax Fund	40,679

Criteria: 6-6-6 NMSA 1978 requires that the City keep expenditures within the budgeted amounts.

Effect: The City's expenditures in the above funds exceeded the approved budgets by the amounts noted above for each fund.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

Cause: The City over spent their budget in the funds noted above and did not apply for a budget adjustment request to the Department of Finance and Administration (DFA) when expenditures in excess of budget were necessary.

Recommendation: Budget adjustment requests should be presented to and approved by DFA before the end of the fiscal year.

Response: Management agrees with the recommendation.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

EXIT CONFERENCE

An exit conference was held on August 11, 2009 by Cindy James, CPA of Pattillo, Brown & Hill, L.L.P. with Ravi Bhasker, Mayor, Patrick Salome, Jr, Clerk, Donald Monette, Councilor and Mable Gonzales, Finance Director, of City of Socorro. The audit was discussed.

PREPARATION OF FINANCIAL STATEMENTS

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