

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
AUDIT REPORT  
JUNE 30, 2010**

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
JUNE 30, 2010**

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
JUNE 30, 2010**

**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, 2010**

**OFFICIAL ROSTER**

<b><u>Name</u></b>	<b><u>Title</u></b>
Ravi Bhasker	Mayor
Peter Romero	Councilor
Toby Jaramillo	Councilor
Ernest Pargas Jr.	Councilor
Michael Olguin Jr.	Councilor
Mary Ann Chavez-Lopez	Councilor
Nick Fleming	Councilor
Gordon Hicks	Councilor
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  
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, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Socorro, New Mexico (City), as of and for the year ended June 30, 2010, 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, and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City'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 the 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, as of June 30, 2010, 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 fund 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 as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and all nonmajor 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 report dated December 22, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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 basic financial statements taken as a whole.

*Pattillo, Brown & Hill LLP*

Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
December 22, 2010

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 604,093	\$ 423,264	\$ 1,027,357
Investments	1,124,480	-	1,124,480
Receivables (net of allowances for uncollectibles)	1,195,093	1,001,913	2,197,006
Internal balances	203,528	( 203,528)	-
Bond premium	-	51,269	51,269
Inventory	8,970	112,470	121,440
Total current assets	<u>3,136,164</u>	<u>1,385,388</u>	<u>4,521,552</u>
Other assets:			
Restricted cash and investments	<u>-</u>	<u>1,903,489</u>	<u>1,903,489</u>
Total other assets	<u>-</u>	<u>1,903,489</u>	<u>1,903,489</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	308,719	522,700	831,419
Construction in progress	695,360	1,677,510	2,372,870
Capital assets being depreciated	21,677,428	22,735,651	44,413,079
Less: accumulated depreciation	( 7,718,013)	( 13,780,572)	( 21,498,585)
Total capital assets	<u>14,963,494</u>	<u>11,155,289</u>	<u>26,118,783</u>
Total noncurrent assets	<u>14,963,494</u>	<u>11,155,289</u>	<u>26,118,783</u>
Total assets	<u>18,099,658</u>	<u>14,444,166</u>	<u>32,543,824</u>

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

<b>LIABILITIES</b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Current liabilities:</b>			
Accounts payable	\$ 487,491	\$ 55,298	\$ 542,789
Bank overdraft	37,086	-	37,086
Accrued payroll expenses	34,178	-	34,178
Accrued interest payable	5,656	10,070	15,726
Capital leases payable - current	-	39,399	39,399
Current portion long term debt	<u>80,643</u>	<u>199,029</u>	<u>279,672</u>
Total current liabilities	<u>645,054</u>	<u>303,796</u>	<u>948,850</u>
<b>Noncurrent liabilities:</b>			
Meter deposits	-	85,850	85,850
Compensated absences	177,863	99,226	277,089
Landfill closure and post closing liability	-	602,500	602,500
Capital leases payable	-	152,849	152,849
Bonds and loans payable less current portion	<u>985,446</u>	<u>2,497,091</u>	<u>3,482,537</u>
Total noncurrent liabilities	<u>1,163,309</u>	<u>3,437,516</u>	<u>4,600,825</u>
 Total liabilities	 <u>1,808,363</u>	 <u>3,741,312</u>	 <u>5,549,675</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,891,749	8,266,921	22,158,670
Restricted for:			
Debt service	226,625	1,123,482	1,350,107
Capital projects	136,094	780,007	916,101
Equipment replacement	80,000	-	80,000
Unrestricted	<u>1,956,827</u>	<u>532,444</u>	<u>2,489,271</u>
 Total net assets	 <u>\$ 16,291,295</u>	 <u>\$ 10,702,854</u>	 <u>\$ 26,994,149</u>

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

<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>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 1,633,977	\$ 286,938	\$ 217,209	\$ 91,840
Judicial	186,198	247,606	-	1,022,907
Public safety	3,104,908	573,722	202,077	69,433
Public works	1,177,951	-	-	-
Culture and recreation	1,760,286	54,562	34,592	1,051,006
Interest and fees on long-term debt	38,445	-	-	-
Total governmental activities	<u>7,901,765</u>	<u>1,162,828</u>	<u>453,878</u>	<u>2,235,186</u>
Business-type activities:				
Natural gas	\$ 2,701,232	\$ 3,019,168	\$ -	\$ -
Water	1,284,322	1,118,929	-	991,174
Waste water	1,427,023	1,042,749	-	-
Solid waste	464,814	831,485	-	-
Landfill	698,909	404,197	-	-
Recycling	99,042	16,643	-	-
Total business-type activities	<u>6,675,342</u>	<u>6,433,171</u>	<u>-</u>	<u>991,174</u>
Total primary government	<u>\$ 14,577,107</u>	<u>\$ 7,595,999</u>	<u>\$ 453,878</u>	<u>\$ 3,226,360</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
\$( 1,037,990)	\$ -	\$( 1,037,990)
1,084,315	-	1,084,315
( 2,259,676)	-	( 2,259,676)
( 1,177,951)	-	( 1,177,951)
( 620,126)	-	( 620,126)
<u>( 38,445)</u>	<u>-</u>	<u>( 38,445)</u>
<u>( 4,049,873)</u>	<u>-</u>	<u>( 4,049,873)</u>
\$ -	\$ 317,936	\$ 317,936
-	825,781	825,781
-	( 384,274)	( 384,274)
-	366,671	366,671
-	( 294,712)	( 294,712)
<u>-</u>	<u>( 82,399)</u>	<u>( 82,399)</u>
<u>-</u>	<u>749,003</u>	<u>749,003</u>
<u>( 4,049,873)</u>	<u>749,003</u>	<u>( 3,300,870)</u>
508,414	-	508,414
280,755	88,093	368,848
3,661,520	-	3,661,520
347,808	-	347,808
174,538	-	174,538
1,812	2,364	4,176
216,833	-	216,833
<u>( 340,000)</u>	<u>340,000</u>	<u>-</u>
<u>4,851,680</u>	<u>430,457</u>	<u>5,282,137</u>
<u>801,807</u>	<u>1,179,460</u>	<u>1,981,267</u>
<u>15,489,488</u>	<u>9,523,394</u>	<u>25,012,882</u>
<u>\$ 16,291,295</u>	<u>\$ 10,702,854</u>	<u>\$ 26,994,149</u>

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

ASSETS	General	CDBG Cuba Rd Phase 1	E-911 Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 171,883	\$ 4,695	\$ -	\$ 427,515	\$ 604,093
Investments	698,693	-	-	425,787	1,124,480
Accounts receivable (net of allowance)	498,457	304,834	-	391,802	1,195,093
Inventory	8,970	-	-	-	8,970
Due from other funds	250,528	-	-	-	250,528
<b>Total assets</b>	<b>\$ 1,628,531</b>	<b>\$ 309,529</b>	<b>\$ -</b>	<b>\$ 1,245,104</b>	<b>\$ 3,183,164</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 29,118	\$ 304,834	\$ -	\$ 153,539	\$ 487,491
Bank overdraft	37,086	-	-	-	37,086
Accrued payroll expenses	34,178	-	-	-	34,178
Deferred revenue	-	-	-	10,437	10,437
Due to other funds	47,000	-	-	-	47,000
<b>Total liabilities</b>	<b>147,382</b>	<b>304,834</b>	<b>-</b>	<b>163,976</b>	<b>616,192</b>
<b>Fund balances:</b>					
Reserved for:					
Debt service	-	-	-	226,625	226,625
Capital projects funds	-	4,695	-	120,962	125,657
Equipment replacement	80,000	-	-	-	80,000
Unreserved, undesignated reported in:					
General fund	1,401,149	-	-	-	1,401,149
Special revenue funds	-	-	-	733,541	733,541
<b>Total fund balances</b>	<b>1,481,149</b>	<b>4,695</b>	<b>-</b>	<b>1,081,128</b>	<b>2,566,972</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 1,628,531</b>	<b>\$ 309,529</b>	<b>\$ -</b>	<b>\$ 1,245,104</b>	

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

( 1,249,608)

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

14,963,494

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

10,437  
**\$ 16,291,295**

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

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>CDBG Cuba Rd Phase 1</u>	<u>E-911 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Gross receipts tax	\$ 1,879,853	\$ -	\$ -	\$ 142,204	\$ 2,022,057
Property taxes	508,414	-	-	-	508,414
Lodgers' tax	-	-	-	347,808	347,808
Other state shared taxes	280,755	-	-	-	280,755
Franchise tax	174,538	-	-	-	174,538
Licenses and permits	36,394	-	-	-	36,394
Intergovernmental	309,049	304,834	903,929	1,160,815	2,678,627
Charges for services	860,660	-	-	54,562	915,222
Fines and forfeitures	182,500	-	-	65,106	247,606
State shared gross receipts tax	1,634,764	-	-	4,699	1,639,463
Other	146,436	-	-	34,003	180,439
Investment	1,584	-	-	228	1,812
<b>Total revenues</b>	<u>6,014,947</u>	<u>304,834</u>	<u>903,929</u>	<u>1,809,425</u>	<u>9,033,135</u>
<b>EXPENDITURES</b>					
<b>Current operations:</b>					
General government	1,354,479	2,500		78,552	1,435,531
Judicial	166,902			-	166,902
Public safety	2,597,389		109,792	114,670	2,821,851
Public works	839,482			-	839,482
Culture and recreation	757,312			748,857	1,506,169
<b>Debt service:</b>					
Principal	-			78,332	78,332
Interest	-			35,935	35,935
Fees and other	-			2,862	2,862
<b>Capital outlay:</b>	<u>121,616</u>	<u>347,639</u>	<u>794,137</u>	<u>755,162</u>	<u>2,018,554</u>
<b>Total expenditures</b>	<u>5,837,180</u>	<u>350,139</u>	<u>903,929</u>	<u>1,814,370</u>	<u>8,905,618</u>
<b>Excess (deficiency) of revenues over expenditures</b>	177,767	( 45,305)	-	( 4,945)	127,517
<b>Other financing sources (uses):</b>					
Transfers in	402,119	-	-	946,608	1,348,727
Transfers out	( 875,487)	-	-	( 813,240)	( 1,688,727)
<b>Total other financing sources (uses)</b>	<u>( 473,368)</u>	<u>-</u>	<u>-</u>	<u>133,368</u>	<u>( 340,000)</u>
<b>Net change in fund balances</b>	<u>( 295,601)</u>	<u>( 45,305)</u>	<u>-</u>	<u>128,423</u>	<u>( 212,483)</u>
<b>Fund balances, beginning of year</b>	<u>1,776,750</u>	<u>50,000</u>	<u>-</u>	<u>952,705</u>	<u>2,779,455</u>
<b>Fund balances, end of year</b>	<u>\$ 1,481,149</u>	<u>\$ 4,695</u>	<u>\$ -</u>	<u>\$ 1,081,128</u>	<u>\$ 2,566,972</u>

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

**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, 2010**

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

Net change in fund balances - total governmental funds	\$( 212,483)
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.	935,222
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	78,332
Recognition of accounts receivable and deferred revenues is reflected on the full accrual basis within the statement of activities.	10,437
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.	( 9,701)
Change in net assets of governmental activities	<u>\$ 801,807</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Gross receipts tax	\$ 1,855,000	\$ 1,855,000	\$ 1,886,268	\$ 31,268
Property taxes	410,576	410,576	504,992	94,416
Other state shared taxes	299,000	299,000	283,552	( 15,448)
Franchise tax	200,000	200,000	205,129	5,129
Licenses and permits	42,050	42,050	36,394	( 5,656)
Intergovernmental	379,423	433,130	298,711	( 134,419)
Charges for services	1,186,280	1,186,280	848,916	( 337,364)
Fines and forfeitures	104,031	116,031	182,500	66,469
State shared gross receipts tax	1,600,000	1,600,000	1,640,615	40,615
Other	108,839	117,423	146,436	29,013
Investment	60,000	60,000	1,584	( 58,416)
<b>Total revenues</b>	<u>6,245,199</u>	<u>6,319,490</u>	<u>6,035,097</u>	<u>( 284,393)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	1,413,692	1,413,692	1,365,562	48,130
Judicial	150,210	173,144	166,902	6,242
Public safety	3,005,053	3,011,803	2,597,389	414,414
Public works	791,717	797,667	839,482	( 41,815)
Culture and recreation	845,521	860,436	757,312	103,124
<b>Capital Outlay</b>	<u>189,260</u>	<u>228,630</u>	<u>121,616</u>	<u>107,014</u>
<b>Total expenditures</b>	<u>6,395,453</u>	<u>6,485,372</u>	<u>5,848,263</u>	<u>637,109</u>
<b>Excess (deficiency) of revenues over expenditures</b>	( 150,254)	( 165,882)	186,834	352,716
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	447,303	470,477	402,119	( 68,358)
Transfers out	( 722,911)	( 943,845)	( 875,487)	68,358
Total other financing sources (uses)	( 275,608)	( 473,368)	( 473,368)	-
<b>Net change in fund balances</b>	<u>\$( 425,862)</u>	<u>\$( 639,250)</u>	<u>\$( 286,534)</u>	<u>\$ 352,716</u>
Beginning cash & investment balance	<u>\$ 1,108,390</u>	<u>\$ 1,108,390</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$( 286,534)	
Change in receivables			(20,150)	
Change in payables			11,083	
<b>Net change in fund balances GAAP basis</b>			<u>\$( 295,601)</u>	

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

**STATE OF NEW MEXICO**  
**CITY OF SOCORRO**  
**E-911 FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State grants	\$ 1,792,000	\$ 1,792,000	\$ 903,929	\$ 888,071
<b>Total revenues</b>	<u>1,792,000</u>	<u>1,792,000</u>	<u>903,929</u>	<u>888,071</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Public safety	1,792,000	1,792,000	\$ 109,792	1,682,208
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>\$ 794,137</u>	<u>( 794,137)</u>
<b>Total expenditures</b>	<u>1,792,000</u>	<u>1,792,000</u>	<u>903,929</u>	<u>888,071</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
CITY OF SOCORRO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 423,264
Accounts receivable (net of allowance for uncollectible)	1,001,913
Due from other funds	62,913
Inventory	<u>112,470</u>
<b>Total current assets</b>	<u>1,600,560</u>

**Restricted assets:**

Customers' meter deposits	85,850
Debt payments and reserves	628,977
Investments-landfill improvements	780,007
Landfill improvements & closures and solid waste issues	393,605
Water rights	<u>15,050</u>
<b>Total restricted assets</b>	<u>1,903,489</u>

**Other assets:**

Deferred loan & bond issue fees	<u>51,269</u>
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**Plant in service:**

Non-depreciable assets

Land	522,700
Construction in progress	1,677,510

Depreciable assets

Natural gas system	2,279,410
Water and sewer system	18,525,558
Solid waste equipment	1,930,683
Less accumulated depreciation	<u>( 13,780,572)</u>

<b>Total property, plant and equipment</b>	<u>11,155,289</u>
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<b>Total Assets</b>	<u>14,710,607</u>
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**LIABILITIES**

**Current Liabilities:**

Accounts payable	55,298
Accrued interest payable	10,070
Due to other funds	266,441
Current portion capital lease	39,399
Current portion long-term debt	<u>199,029</u>
<b>Total current liabilities</b>	<u>570,237</u>

**Long term liabilities:**

Utility meter deposits	85,850
Compensated absences	99,226
Landfill closure and post closing liability	602,500
Capital lease payable	152,849
Bonds and loans payable less current portion	<u>2,497,091</u>
<b>Total long-term liabilities</b>	<u>3,437,516</u>

<b>Total Liabilities</b>	<u>4,007,753</u>
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**Net Assets**

Invested in capital assets, net of related debt	8,266,921
Restricted for debt service	1,123,482
Restricted for construction	780,007
Unrestricted	<u>532,444</u>

<b>Total Net Assets</b>	<u>\$ 10,702,854</u>
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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, 2010

	<b>Total</b>
<b>Operating Revenues:</b>	
Charges for services	\$ 6,371,268
Connection charges	45,593
Other revenue	16,310
<b>Total operating revenues</b>	<b>6,433,171</b>
<b>Operating Expenses:</b>	
Natural gas purchases	1,466,795
Salaries	1,588,857
Benefits	589,617
Other operating expense	2,076,724
Depreciation	599,782
Payment in lieu of taxes	264,882
<b>Total operating expenses</b>	<b>6,586,657</b>
<b>Operating income (loss)</b>	<b>( 153,486)</b>
<b>Non-operating income (deductions):</b>	
Taxes	88,093
Interest income	2,364
Interest expense	( 88,685)
Transfers in (out) from other funds	340,000
Capital grants	991,174
<b>Total non-operating income (deductions)</b>	<b>1,332,946</b>
<b>Net income (loss)</b>	<b>1,179,460</b>
<b>Net assets, beginning of year</b>	<b>9,523,394</b>
<b>Net assets, end of year</b>	<b>\$ 10,702,854</b>

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, 2010**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 6,433,775
Cash payments to employees for services	(2,169,310)
Cash payments to supplies for goods and services	<u>(4,040,791)</u>
Net cash provided by operating activities	<u>223,674</u>
<b>Cash flows from noncapital financing activities</b>	
Net transfers and due to other funds	340,000
Taxes received	<u>88,093</u>
Net cash provided by capital and related activities	<u>428,093</u>
<b>Cash flows from investing activities</b>	
Interest income	2,364
Proceeds on debt	<u>207,075</u>
Net cash used by capital and related activities	<u>209,439</u>
<b>Cash flows from capital investing activities</b>	
Acquisition of capital assets	(2,056,319)
Capital leases	(37,350)
Capital grants	991,174
Principal paid on debt	(189,764)
Interest paid on debt	<u>(87,653)</u>
Net cash used by capital financing activities	<u>(1,379,912)</u>
Net decrease in cash and cash equivalents	(518,706)
Cash and equivalents beginning of year	<u>2,845,459</u>
Cash and equivalents end of year	<u>\$ 2,326,753</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income	\$( 153,486)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	599,782
Decrease (increase) in customer receivable	4,602
Decrease (increase) in inventory	16,786
Decrease (increase) in deferred loan fees	(12,874)
Increase (decrease) in accounts payable	(49,117)
Increase (decrease) in customer deposits	(3,998)
Increase (decrease) in compensated absences	9,164
Increase (decrease) in liability for landfill closure	<u>(187,185)</u>
Net cash provided by operating activities	<u>\$ 223,674</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, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net 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 **E-911 Fund** is to account for the emergency medical system. Resources for the project are provided by a grant and administered by New Mexico Department of Finance.

The **CDBG Cuba Road Phase 1** is to account for improvements to various roads. Resources for the project are provided by the General Fund, Enterprise Fund and federal and state funding.

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 Equivalents and Investments**

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

#### **Receivables**

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

#### **Supply Inventories**

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

#### **Restricted Assets**

Certain resources of the 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	\$	80,643
Bonds and loans payable long-term		985,446
Accrued interest payable		5,656
Compensated absences		<u>177,863</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u>1,249,608</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	\$ 2,018,554
Depreciation expense	<u>(1,083,332)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 935,222</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>78,332</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 78,332</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	\$ (10,053)
Accrued interest	<u>352</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (9,701)</u>

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

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

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

#### **Budgetary Information** (continued)

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

#### **Cash and Investments**

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

At June 30, 2010, 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, 2010, 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 6-30-10	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6-30-10
First State Bank of Socorro:					
Checking Account Operating	\$ 673,814	\$ 15,221	\$ 720,577	\$ (5,544)	\$ (37,086)
Checking Account Payroll	39,205	-	36,499		2,706
Investment Account	903,702	-	-		903,702
Checking Account E-Pay	32,306	4,300	-		36,606
Checking Account Waste Water Const	73,637	-	-		73,637
Wells Fargo :					
Checking Account CDBG	4,663	-	-		4,663
Bank of America :					
Checking Account Operating	<u>47,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,509</u>
Total Cash in Banks	<u>\$ 1,774,836</u>	<u>\$ 19,521</u>	<u>\$ 757,076</u>	<u>\$ (5,544)</u>	1,031,737
Funds Held by the New Mexico Finance Authority:					
US Treasury Fund Accounts					987,560
State Treasurers Office					93,906
Wells Fargo Brokerage Services					1,904,487
Plus Cash on Hand					<u>550</u>
Total Cash and Investments Per Books					<u>\$ 4,018,240</u>
As Reported in Financial Statements:					
Investments: Unrestricted					\$ 1,124,480
Restricted					780,007
Cash: Unrestricted					990,271
Restricted					<u>1,123,482</u>
					<u>\$ 4,018,240</u>

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

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

#### Cash and Investments (continued)

	<u>First State Bank of Socorro</u>	<u>Bank of America</u>	<u>Wells Fargo</u>	<u>Total</u>
Amount on Deposit in Bank	\$ 1,722,664	\$ 47,509	\$ 4,663	\$ 1,774,836
Less FDIC Coverage	(250,000)	(47,444)	(4,663)	(297,444)
Uninsured Public Funds	<u>1,472,664</u>	<u>-</u>	<u>-</u>	<u>1,472,664</u>
Collateral pledged :	<u>STATED AT</u>			
Safekeeping agent, First State Bank, Socorro, NM				
US Treasury Notes CUSIP #912810DZ8	FMV 615,629	-	-	615,629
Ruidoso Gross Receipts Tax CUSIP #781336AV4	PAR 245,000	-	-	245,000
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 418,595	-	-	418,595
Ruidoso Gross Receipts Tax CUSIP #781336AW2	PAR 255,000	-	-	255,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,994,224</u>	<u>-</u>	<u>-</u>	<u>1,994,224</u>
Uninsured and uncollateralized	<u>\$ -</u>	<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, 2010 \$1,472,664 of the City's bank balance of \$1,774,836 was exposed to custodial credit risk as follows:

	<u>First State Bank</u>	<u>Bank of America</u>	<u>Wells Fargo</u>
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>1,472,664</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,472,664</u>	<u>\$ -</u>	<u>\$ -</u>

Also at June 30, 2010 the City had \$987,560 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 New York Mellon, 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, 2010 these investments were:

#### Bank of New York Mellon

NMFA (Road) Reserves	\$ 8,476
NMFA (Infrastructure) Reserves	95,165
NMFA (Infrastructure Proceeds)	26,231
NMFA (Landfill) Proceeds	780,007
NMFA (Landfill) Reserves	<u>77,681</u>
Total	<u>\$ 987,560</u>

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

**Cash and Investments** (continued)

There are four 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 the City. These accounts expose the City to custodial credit risk of \$93,906.

<u>NMFA</u>	
NMFA (Road) Intercept	\$ 8,582
NMFA New Landfill Cell	\$ 20,599
NMFA (Infrastructure) Intercept	47,177
NMFA (Landfill) Intercept	<u>17,548</u>
Total	<u>\$ 93,906</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.

As of June 30, 2010 the City had the following investments held at Wells Fargo Brokerage Services:

	<u>Fair Value</u>	<u>Current</u>
Wells Fargo Adv. Government MMF	<u>\$ 1,904,487</u>	<u>\$ 1,904,487</u>

*Custodial Credit Risk – Investments*

In accordance with GASB 40, the City's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the counterparty. All of the City's investments are purchased through Wells Fargo Brokerage Services. Wells Fargo & Company holds all U.S. depository – eligible securities with the federally regulated Depository Trust Company (DTC) or through the Federal Reserve Bank System in Wells Fargo's name. The Advanced Government Money Market Fund investment of the City meet the above criteria and the cost subject to custodial credit risk is \$1,904,487. 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.



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

**Cash and Investments** (continued)

*Credit Risk – Investments*

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

*Concentration of Credit Risk – Investments*

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

**Investments as Stated in Report:**

General Fund	\$ 698,693
Debt Service	67,226
Special Revenue Funds	273,681
Capital Project Funds	84,880
Proprietary Restricted-Landfill improvements	780,007
Total	<u>\$ 1,904,487</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:

**Governmental Funds**

	General	CDBG Cuba Rd Phase I	Non- major	Joint Enterprise Fund	Total
Receivables:					
Customer Accounts	\$ 903,284	\$ -	\$ -	\$ 1,189,996	\$ 2,093,280
Property Taxes	8,303	-	-	-	8,303
Franchise Taxes	16,546	-	-	-	16,546
Gross Receipts Taxes	287,040	-	-	3,647	290,687
Gas Taxes	18,360	-	-	-	18,360
Cigarette Taxes	648	-	325	-	973
Lodgers' Tax	-	-	33,320	-	33,320
Motor Vehicle Fees	3,397	-	-	-	3,397
Other Governments	10,338	304,834	358,157	-	673,329
Gross receivables	1,247,916	304,834	391,802	1,193,643	3,138,195
Less: allowance for uncollectibles	749,459	-	-	191,730	941,189
Net total receivables	<u>\$ 498,457</u>	<u>\$ 304,834</u>	<u>\$ 391,802</u>	<u>\$ 1,001,913</u>	<u>\$ 2,197,006</u>

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

**Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

**Primary Government**

	Beginning Balance	Adjustments/ Increases	Decreases/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 308,719	\$ -	\$ -	\$ 308,719
Construction in progress	<u>-</u>	<u>695,360</u>	<u>-</u>	<u>695,360</u>
Total capital assets not being depreciated	<u>308,719</u>	<u>695,360</u>	<u>-</u>	<u>1,004,079</u>
Capital assets, being depreciated:				
Buildings and improvements	8,115,442	60,420	-	8,175,862
Equipment and vehicles	5,438,180	1,021,844	(9,434)	6,450,590
Infrastructure	<u>6,810,046</u>	<u>240,930</u>	<u>-</u>	<u>7,050,976</u>
Total capital assets being depreciated	<u>20,363,668</u>	<u>1,323,194</u>	<u>(9,434)</u>	<u>21,677,428</u>
Less accumulated depreciation:				
Buildings and improvements	2,814,698	333,122	-	3,147,820
Equipment and vehicles	3,128,864	372,256	(9,434)	3,491,686
Infrastructure	<u>700,553</u>	<u>377,954</u>	<u>-</u>	<u>1,078,507</u>
Total accumulated depreciation	<u>6,644,115</u>	<u>1,083,332</u>	<u>(9,434)</u>	<u>7,718,013</u>
Total capital assets being depreciated, net	<u>13,719,553</u>	<u>239,862</u>	<u>-</u>	<u>13,959,415</u>
Governmental activities capital assets, net	<u>\$ 14,028,272</u>	<u>\$ 935,222</u>	<u>\$ -</u>	<u>\$ 14,963,494</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 516,294	\$ 6,406	\$ -	\$ 522,700
Construction in progress	<u>137,700</u>	<u>1,539,810</u>	<u>-</u>	<u>1,677,510</u>
Total capital assets not being depreciated	<u>653,994</u>	<u>1,546,216</u>	<u>-</u>	<u>2,200,210</u>
Capital assets, being depreciated:				
Plant and equipment	<u>22,388,148</u>	<u>510,103</u>	<u>(162,600)</u>	<u>22,735,651</u>
Total capital assets being depreciated	<u>22,388,148</u>	<u>510,103</u>	<u>(162,600)</u>	<u>22,735,651</u>
Less accumulated depreciation:				
Plant and equipment	<u>13,343,390</u>	<u>599,782</u>	<u>(162,600)</u>	<u>13,780,572</u>
Total accumulated depreciation	<u>13,343,390</u>	<u>599,782</u>	<u>(162,600)</u>	<u>13,780,572</u>
Total capital assets being depreciated, net	<u>9,044,758</u>	<u>(89,679)</u>	<u>-</u>	<u>8,955,079</u>
Business-type activities capital assets, net	<u>\$ 9,698,752</u>	<u>\$ 1,456,537</u>	<u>\$ -</u>	<u>\$ 11,155,289</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	\$ 188,393
Judicial	19,296
Public safety	283,057
Public works	338,469
Culture and recreation	<u>254,117</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,083,332</u>
Business-type Activities:	
Natural gas	\$ 71,150
Water	145,169
Waste water	252,650
Solid waste	32,429
Landfill	<u>98,384</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 599,782</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, 2010 is \$47,000.

The General Fund received insurance proceeds in prior years which were deposited into the Joint Enterprise Fund. The balance owed to the General Fund is \$203,528.

Operating Transfers:

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

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

**Interfund Receivables, Payables and Transfers** (continued)

Interfund transfers:

	<u>Transfers out</u>				<u>Total</u>
	<u>General</u>	<u>CDBG Cuba Rd Phase I</u>	<u>Non Major</u>	<u>Joint Enterprise</u>	
<b><u>Transfers in:</u></b>					
General	\$ 875,487	\$ -	\$ 32,240	\$ -	\$ 907,727
Cuba Road Drainage Phase 1	-	-	-	-	-
Joint Enterprise	-	-	340,000	525,390	865,390
Nonmajor	-	-	441,000	-	441,000
Total transfers out	875,487	-	813,240	525,390	2,214,117
Less transfers in	<u>(402,119)</u>	<u>-</u>	<u>(946,608)</u>	<u>(865,390)</u>	<u>(2,214,117)</u>
	<u>\$ 473,368</u>	<u>\$ -</u>	<u>\$ (133,368)</u>	<u>\$ (340,000)</u>	<u>\$ -</u>

**SHORT TERM DEBT:**

The City does not have any short-term debt.

**LONG TERM DEBT:**

**NMFA Loans:**

**High School Road/Michigan Avenue Construction**

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

The note payable bears interest at 3.554%, which includes the NMFA administrative expense fee of 0.25%. Principal payments on the loan are due May 1<sup>st</sup> and November 1<sup>st</sup>. 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 1<sup>st</sup> and November 1<sup>st</sup>. The loan matures on May 1, 2021. Revenue pledged for payment of this loan are from the State-Shared Gross Receipts Tax to the City made monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6.4, NMSA 1978, and City Ordinance No. 06-02-06A, adopted on February 6, 2006.

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

##### LONG TERM DEBT: (continued)

##### NMFA Loans: (continued)

##### 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 1<sup>st</sup>, and interest payments are due on May 1<sup>st</sup> and November 1<sup>st</sup>. The loan matures May 1, 2022.

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

##### Landfill Improvements

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

##### Wastewater Treatment Plant

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

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

##### Wastewater Treatment Plant Improvements

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

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

**LONG TERM DEBT:** (continued)

**Revenue Bonds**

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

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
2010 Joint Utility System Improvement Revenue Bonds	\$ 132,000	2/19/2050	2.625%	\$ 132,000

**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.

<u>Payment Requirement</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>FYE June 30,</u>			
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>\$ 192,248</u>	<u>\$ 22,517</u>	<u>\$ 214,765</u>

**Loans Payable**

A summary of the terms of revenue bonds and loans outstanding and their corresponding allocations to the governmental and business-type activities at June 30, 2010 follows:

<u>Series and Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
<u>Governmental Activities</u>			
NMFA Loan	2022	3.554%	208,695
NMFA Loan	2021	3.387%	857,394
Total governmental activities			<u>\$ 1,066,089</u>
<u>Business-Type Activities</u>			
NMFA Loan -Landfill Loan	2022	4.248%	\$ 364,442
NMED Loan	2018	2.0%	1,074,768
NMED Loan	2029	3.588%	1,049,835
NMED Loan	2029	0.000%	75,075
Revenue Bonds	2050	2.625%	132,000
Total business-type activities			<u>\$ 2,696,120</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

**LONG TERM DEBT:** (continued)

<b>Governmental Activities</b>			
Year Ending June 30,	Principal	Interest	Admin. Fee
<b>Notes Payable:</b>			
2011	80,643	33,934	2,673
2012	83,094	31,692	2,471
2013	85,692	29,306	2,264
2014	88,445	26,774	2,049
2015	91,360	24,088	1,828
2016-2020	506,276	74,654	4,485
2021-2022	130,579	5,369	388
Total	<u>\$ 1,066,089</u>	<u>\$ 225,817</u>	<u>\$ 16,158</u>

<b>Business-Type Activities</b>			
Year Ending June 30,	Principal	Interest	Admin. Fee
<b>Notes Payable:</b>			
2011	197,129	69,730	911
2012	201,036	65,884	851
2013	205,143	61,841	789
2014	209,514	57,537	724
2015	214,174	52,947	656
2016-2020	852,829	190,497	2,164
2021-2025	386,295	99,566	281
2026-2029	298,000	31,064	-
Total	<u>\$ 2,564,120</u>	<u>\$ 629,066</u>	<u>\$ 6,376</u>

**Revenue Bonds Payable:**

Year Ending June 30,	Principal	Interest	Admin. Fee
2011	1,900	3,549	-
2012	1,900	3,549	-
2013	2,000	3,449	-
2014	2,000	3,449	-
2015	2,100	3,349	-
2016-2020	11,300	15,945	-
2021-2025	12,800	14,445	-
2026-2030	14,700	13,045	-
2031-2035	16,600	10,645	-
2036-2040	19,000	8,245	-
2041-2045	21,500	5,745	-
2046-2050	26,200	2,396	-
Total	<u>\$ 132,000</u>	<u>\$ 87,811</u>	<u>\$ -</u>

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

**LONG TERM DEBT:** (continued)

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Loan Payable	\$ 1,144,421	\$ -	\$ 78,332	\$ 1,066,089	\$ 80,643
Compensated absences	<u>167,810</u>	<u>180,792</u>	<u>170,739</u>	<u>177,863</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,312,231</u>	<u>\$ 180,792</u>	<u>\$ 249,071</u>	<u>\$ 1,243,952</u>	<u>\$ 80,643</u>
<b>Business-type activities</b>					
Capital Lease	\$ 229,598	\$ -	\$ 37,350	\$ 192,248	\$ 39,399
Loans Payable	2,678,809	75,075	189,764	2,564,120	197,129
Revenue Bonds Payable	-	132,000	-	132,000	1,900
Compensated Absences	<u>90,062</u>	<u>120,248</u>	<u>111,084</u>	<u>99,226</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 2,998,469</u>	<u>\$ 327,323</u>	<u>\$ 338,198</u>	<u>\$ 2,987,594</u>	<u>\$ 238,428</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 \$602,500 reported as landfill closure and post closure care liability at June 30, 2010, represents the cumulative amount reported to date based on management's estimates and on the area used by the landfill. Actual costs may differ due to inflation and changes in technology and regulations.

During the year ended June 30, 2010, the City received \$45,030 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, 2010; \$393,605 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:

	<b>Enterprise Funds</b>
Meter deposits	\$ 85,850
Debt requirements	628,977
Debt proceeds	780,007
Land Closure and Solid Waste Reserve	393,605
Water Rights Acquisition Reserve	<u>15,050</u>
Total restricted assets	<u>\$ 1,903,489</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](http://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, 2010, 2009 and 2008 were \$804,316, \$797,407, and \$715,597, respectively, equal to the amount of the required contributions for each year.

**Deferred Compensation Plan**

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

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

##### **LONG TERM DEBT:** (continued)

##### **Deferred Compensation Plan** (continued)

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

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

##### **Post-Employment Benefits – State Retiree Health Care Plan**

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires 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 eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

**POST-EMPLOYMENT BENEFITS:** (continued)

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

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plans 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also 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, 2010, 2009 and 2008 were \$52,169, \$51,134, \$46,398, respectively, which equal the required contributions for each year.

**Risk Management**

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

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

##### **Related Party Transactions**

The City's mayor and council members own various businesses in their local area. For the year ending June 30, 2010 the City paid Holiday Inn Express and Best Western Hotel \$998.14 for facility rent and Bhasker Medical Clinic PC \$4,791.33 which is owned by Mayor Bhasker. For the year ending June 30, 2010 the City paid Monette Ford \$977.98 which is owned by Donald Monette, council member, Ernest Welding & Machine \$7,809.10 which is owned by Earnest Pargas, council member and Toby Jaramillo councilor's business \$655.00.

##### **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 \$23.6 million. The EPA has taken the position that the City may be able to pay \$1.2 million for incurred and projected cost to settle the cost recovery action. Although no litigation has been instituted, the City is preparing to contest and defend itself.

##### **Joint Powers Agreement**

The City of Socorro and the County of Socorro have entered into an agreement dated June 23, 2009 for sharing of Emergency Medical Services (EMS) and detention center. The City operates an EMS program and the County operates a detention center which will be utilized by both for the health, safety and welfare needs of their respective citizens. The funds exchanged between the City and County will be utilized for the purchase of equipment for the facilities.

The City of Socorro and the Socorro Consolidated School District have entered into an agreement on January 2, 2009 to design and construct a baseball field. The parties will operate a joint purpose baseball field to be used by City youth and the Socorro High School softball teams. The City will utilize grant funds received for the project and be the fiscal agent. The School will maintain the facility on a year-round basis.

The City has entered a joint powers agreement with the Socorro City Police Department and the Middle Rio Grande Conservancy District on September 25, 2009. The Police Department will administer Breath-Alcohol Tests to Socorro Middle Rio Grande Conservancy District employees within guidelines.

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

**Capital Outlay Appropriations**

Capital Outlay appropriations are as follows:

<u>CAPITAL PROJECT FUND</u>	<u>PROJECT APPROPRIATIONS</u>	<u>2010 EXPENDITURES</u>	<u>EXPENDITURES TO DATE</u>	<u>PROJECT FUNDS OUTSTANDING</u>	<u>APPROPRIATION PERIOD</u>	
LIBRARY IMPROVEMENTS	05LG1803 \$ 55,000.00	\$ 24,307	\$ 47,167	\$ -	10/6/05 TO 6/30/10	*
LITTLE LEAGUE FIELD	06LG1901 60,000	8,103	8,103	-	4/20/06 TO 6/30/10	*
ANIMAL CONTROL SHELTER	04LG335 50,000	-	32,727	1,635	6/28/06 TO 6/30/09	*
FIRE ACADEMY SEWER	051201GF 135,000	-	135,000	-	12/19/05 TO 6/30/10	
RODEO ARENA/CONV CTR	07LG3501 108,000	51,008	108,000	-	7/20/07 TO 6/30/11	
RODEO ARENA/CONV CTR	07LG5565 250,000	42,423	42,423	-	7/20/07 TO 6/30/11	*
RODEO ARENA/CONV CTR	08LG4507 160,000.00	-	-	-	7/7/08 TO 6/30/12	*
	<u>\$ 818,000.00</u>	<u>\$ 125,841</u>	<u>\$ 373,420</u>	<u>\$ 1,635</u>		

Unexpended appropriations will be recorded as revenue at the time the related costs are incurred.

\* Closed-Reverted to State

**OTHER SUPPLEMENTARY INFORMATION**

# NON-MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

**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 RENOVATIONS 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.

**CALIFORNIA STREET GRANT FUND** – established by City ordinance to account for ARRA funds for street improvements.

**JUSTICE ASSISTANCE GRANT FUND** – established by City ordinance to account for grant funds received for purchases of police vehicles and juvenile assistance awareness.

### **CAPITAL PROJECTS FUNDS**

**PLAZA PARK RENOVATIONS FUND** – to account 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.

**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.

**RODEO ARENA AND 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.

**SAFE ROUTES PROJECT** – to account for grant and general fund resources to conduct a study to provide safe routes to school.

### **DEBT SERVICE FUND**

**Debt Service Fund** – 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 and Reserve Fund.



STATE OF NEW MEXICO  
CITY OF SOCORRO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue					
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
<b>ASSETS</b>						
Cash	\$ 117,373	\$ 54,706	\$ -	\$ -	\$ -	\$ -
Investments	-	-	110,016	88,777	-	-
Accounts receivable	-	325	14,488	18,832	-	-
<b>Total assets</b>	<b>\$ 117,373</b>	<b>\$ 55,031</b>	<b>\$ 124,504</b>	<b>\$ 107,609</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 945	\$ 3,007	\$ 2,570	\$ 1,811	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>945</b>	<b>3,007</b>	<b>2,570</b>	<b>1,811</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>						
Reserved for debt service	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-
Unreserved and undesignated	116,428	52,024	121,934	105,798	-	-
<b>Total fund balances</b>	<b>116,428</b>	<b>52,024</b>	<b>121,934</b>	<b>105,798</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 117,373</b>	<b>\$ 55,031</b>	<b>\$ 124,504</b>	<b>\$ 107,609</b>	<b>\$ -</b>	<b>\$ -</b>

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

<b>Correctional Fees Fund</b>	<b>Narcotics Assistance Fund</b>	<b>Sedillo Park Renovations Fund</b>	<b>Library Fund</b>	<b>California Street Grant Fund</b>	<b>Justice Assistance Grant Fund</b>	<b>Total</b>
\$ 8,650	\$ -	\$ 27,967	\$ 21,055	\$ 955	\$ -	\$ 230,706
74,888	-	-	-	-	-	273,681
-	-	-	-	347,720	-	381,365
<u>\$ 83,538</u>	<u>\$ -</u>	<u>\$ 27,967</u>	<u>\$ 21,055</u>	<u>\$ 348,675</u>	<u>\$ -</u>	<u>\$ 885,752</u>
\$ -	\$ -	\$ -	\$ 203	\$ 143,675	\$ -	\$ 152,211
-	-	-	-	-	-	-
-	-	-	203	143,675	-	152,211
-	-	-	-	-	-	-
-	-	-	-	-	-	-
83,538	-	27,967	20,852	205,000	-	733,541
<u>83,538</u>	<u>-</u>	<u>27,967</u>	<u>20,852</u>	<u>205,000</u>	<u>-</u>	<u>733,541</u>
<u>\$ 83,538</u>	<u>\$ -</u>	<u>\$ 27,967</u>	<u>\$ 21,055</u>	<u>\$ 348,675</u>	<u>\$ -</u>	<u>\$ 885,752</u>

(Continued)

STATE OF NEW MEXICO  
CITY OF SOCORRO  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)  
JUNE 30, 2010

Capital Projects

ASSETS	Plaza Park Renovations	Animal Control Shelter	Airport Improvement Fund	Street Improvement Fund	Rodeo Arena and Convention Center	Safe Routes Project
Cash	\$ 16,919	\$ 7,686	\$ -	\$ -	\$ 12,242	\$ 563
Investments	12,331	-	32,625	39,924	-	-
Accounts receivable	-	-	-	-	-	10,437
<b>Total assets</b>	<b>\$ 29,250</b>	<b>\$ 7,686</b>	<b>\$ 32,625</b>	<b>\$ 39,924</b>	<b>\$ 12,242</b>	<b>\$ 11,000</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 793	\$ -	\$ 535	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	10,437
<b>Total liabilities</b>	<b>793</b>	<b>-</b>	<b>535</b>	<b>-</b>	<b>-</b>	<b>10,437</b>
<b>Fund balances:</b>						
Reserved for debt service	-	-	-	-	-	-
Reserved for capital projects	28,457	7,686	32,090	39,924	12,242	563
Unreserved and undesignated	-	-	-	-	-	-
<b>Total fund balances</b>	<b>28,457</b>	<b>7,686</b>	<b>32,090</b>	<b>39,924</b>	<b>12,242</b>	<b>563</b>
<b>Total liabilities and fund balances</b>	<b>\$ 29,250</b>	<b>\$ 7,686</b>	<b>\$ 32,625</b>	<b>\$ 39,924</b>	<b>\$ 12,242</b>	<b>\$ 11,000</b>

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

<u>Capital Projects</u>		<u>Debt Service</u>			
	<u>Total</u>	<u>Total</u>		<u>Nonmajor Governmental Funds</u>	
\$	37,410	\$	159,399	\$	427,515
	84,880		67,226		425,787
	<u>10,437</u>		<u>-</u>		<u>391,802</u>
\$	<u>132,727</u>	\$	<u>226,625</u>	\$	<u>1,245,104</u>
\$	1,328	\$	-	\$	153,539
	<u>10,437</u>		<u>-</u>		<u>10,437</u>
	<u>11,765</u>		<u>-</u>		<u>163,976</u>
	-		226,625		226,625
	120,962		-		120,962
	<u>-</u>		<u>-</u>		<u>733,541</u>
	<u>120,962</u>		<u>226,625</u>		<u>1,081,128</u>
\$	<u>132,727</u>	\$	<u>226,625</u>	\$	<u>1,245,104</u>

STATE OF NEW MEXICO  
CITY OF SOCORRO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue					
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
<b>REVENUES</b>						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	79,681	268,127	-	-
Intergovernmental	182,077	-	33,446	-	20,000	29,600
Charges for services	-	31,525	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
State shared gross receipts tax	-	4,699	-	-	-	-
Other	-	20,364	-	11,808	-	-
Investment	-	-	-	-	-	-
<b>Total revenues</b>	<u>182,077</u>	<u>56,588</u>	<u>113,127</u>	<u>279,935</u>	<u>20,000</u>	<u>29,600</u>
<b>EXPENDITURES</b>						
<b>Current operations:</b>						
General government	-	-	-	-	-	-
Public safety	72,184	-	-	-	20,000	22,111
Culture and recreation	-	318,164	144,218	223,957	-	-
<b>Debt Service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fees and other	-	-	-	-	-	-
<b>Capital outlay</b>	<u>10,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,489</u>
<b>Total expenditures</b>	<u>82,521</u>	<u>318,164</u>	<u>144,218</u>	<u>223,957</u>	<u>20,000</u>	<u>29,600</u>
<b>Excess (deficiency) of revenues over expenditures</b>	99,556	( 261,576)	( 31,091)	55,978	-	-
<b>Other financing sources (uses):</b>						
Transfers in	-	295,608	10,000	-	-	-
Transfers out	-	-	( 20,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>295,608</u>	<u>( 10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	99,556	34,032	( 41,091)	55,978	-	-
<b>Fund balances, beginning of year</b>	<u>16,872</u>	<u>17,992</u>	<u>163,025</u>	<u>49,820</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 116,428</u>	<u>\$ 52,024</u>	<u>\$ 121,934</u>	<u>\$ 105,798</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Correctional Fees Fund</u>	<u>Narcotics Assistance Fund</u>	<u>Sedillo Park Renovations Fund</u>	<u>Library Fund</u>	<u>California Street Grant Fund</u>	<u>Justice Assistance Grant Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	347,808
-	-	-	1,146	347,720	57,424	671,413
-	-	22,937	100	-	-	54,562
65,106	-	-	-	-	-	65,106
-	-	-	-	-	-	4,699
-	-	-	1,831	-	-	34,003
-	-	-	-	-	-	-
<u>65,106</u>	<u>-</u>	<u>22,937</u>	<u>3,077</u>	<u>347,720</u>	<u>57,424</u>	<u>1,177,591</u>
-	-	-	-	-	14,848	14,848
375	-	-	-	-	-	114,670
-	-	60,535	1,983	-	-	748,857
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	347,720	42,576	408,122
<u>375</u>	<u>-</u>	<u>60,535</u>	<u>1,983</u>	<u>347,720</u>	<u>57,424</u>	<u>1,286,497</u>
64,731	-	( 37,598)	1,094	-	-	( 108,906)
-	-	-	-	205,000	-	510,608
-	( 12,240)	-	-	-	-	( 32,240)
-	( 12,240)	-	-	205,000	-	478,368
64,731	( 12,240)	( 37,598)	1,094	205,000	-	369,462
18,807	12,240	65,565	19,758	-	-	364,079
<u>\$ 83,538</u>	<u>\$ -</u>	<u>\$ 27,967</u>	<u>\$ 20,852</u>	<u>\$ 205,000</u>	<u>\$ -</u>	<u>\$ 733,541</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, 2010

	Capital Projects					
	Plaza Park Renovations	Animal Control Shelter	Airport Improvement Fund	Street Improvement Fund	Rodeo Arena and Convention Center	Safe Routes Project
<b>REVENUES</b>						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	-	-	-	-
Intergovernmental	13,710	-	21,517	398,452	55,723	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
State shared gross receipts tax	-	-	-	-	-	-
Other	-	-	-	-	-	-
Investment	-	-	-	-	-	-
<b>Total revenues</b>	<u>13,710</u>	<u>-</u>	<u>21,517</u>	<u>398,452</u>	<u>55,723</u>	<u>-</u>
<b>EXPENDITURES</b>						
<b>Current operations:</b>						
General government	13,890	-	-	32,092	1,633	10,437
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fees and other	-	-	-	-	-	-
<b>Capital outlay</b>	<u>13,925</u>	<u>-</u>	<u>18,737</u>	<u>154,714</u>	<u>91,798</u>	<u>-</u>
<b>Total expenditures</b>	<u>27,815</u>	<u>-</u>	<u>18,737</u>	<u>186,806</u>	<u>93,431</u>	<u>10,437</u>
<b>Excess (deficiency) of revenues over expenditures</b>	( 14,105)	-	2,780	211,646	( 37,708)	( 10,437)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	11,000
Transfers out	-	-	-	( 175,000)	(50,000)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 175,000)</u>	<u>( 50,000)</u>	<u>11,000</u>
<b>Net change in fund balances</b>	( 14,105)	-	2,780	36,646	( 87,708)	563
<b>Fund balances, beginning of year</b>	<u>42,562</u>	<u>7,686</u>	<u>29,310</u>	<u>3,278</u>	<u>99,950</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 28,457</u>	<u>\$ 7,686</u>	<u>\$ 32,090</u>	<u>\$ 39,924</u>	<u>\$ 12,242</u>	<u>\$ 563</u>

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

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>
<u>Total</u>	<u>Total</u>	
\$ -	\$ 142,204	\$ 142,204
-	-	347,808
489,402	-	1,160,815
-	-	54,562
-	-	65,106
-	-	4,699
-	-	34,003
-	228	228
<u>489,402</u>	<u>142,432</u>	<u>1,809,425</u>
58,052	5,652	78,552
-	-	114,670
-	-	748,857
-	-	-
-	78,332	78,332
-	35,935	35,935
-	2,862	2,862
<u>279,174</u>	<u>67,866</u>	<u>755,162</u>
<u>337,226</u>	<u>190,647</u>	<u>1,814,370</u>
152,176	( 48,215)	( 4,945)
11,000	425,000	946,608
( <u>225,000</u> )	( <u>556,000</u> )	( <u>813,240</u> )
( <u>214,000</u> )	( <u>131,000</u> )	<u>133,368</u>
( 61,824)	( 179,215)	128,423
<u>182,786</u>	<u>405,840</u>	<u>952,705</u>
<u>\$ 120,962</u>	<u>\$ 226,625</u>	<u>\$ 1,081,128</u>

(Continued)



**STATE OF NEW MEXICO**  
**CITY OF SOCORRO**  
**CDBG CUBA ROAD PHASE 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal grants	\$ 455,000	\$ 455,000	\$ -	\$( 455,000)
<b>Total revenues</b>	<u>455,000</u>	<u>455,000</u>	<u>-</u>	<u>( 455,000)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	-	-	2,500	( 2,500)
<b>Capital Outlay</b>	<u>495,000</u>	<u>495,000</u>	<u>42,805</u>	<u>452,195</u>
<b>Total expenditures</b>	<u>495,000</u>	<u>495,000</u>	<u>45,305</u>	<u>449,695</u>
<b>Net change in fund balances</b>	<u>\$( 40,000)</u>	<u>\$( 40,000)</u>	<u>\$( 45,305)</u>	<u>\$( 5,305)</u>
Beginning cash balance	<u>\$ 50,000</u>	<u>\$ 50,000</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$( 45,305)	
Change in receivables			304,834	
Change in payables			<u>( 304,834)</u>	
Net change in fund balances GAAP basis			<u>\$( 45,305)</u>	

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

**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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State grants	\$ 182,077	\$ 182,077	\$ 182,077	\$ -
<b>Total revenues</b>	<u>182,077</u>	<u>182,077</u>	<u>182,077</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Public Safety	103,770	103,770	81,812	21,958
<b>Capital Outlay</b>	<u>105,752</u>	<u>105,752</u>	<u>10,337</u>	<u>95,415</u>
<b>Total expenditures</b>	<u>209,522</u>	<u>209,522</u>	<u>92,149</u>	<u>117,373</u>
<b>Excess (deficiency) of revenues over expenditures</b>	( 27,445)	( 27,445)	<u>89,928</u>	<u>117,373</u>
<b>Net change in fund balances</b>	<u>\$( 27,445)</u>	<u>\$( 27,445)</u>	<u>\$ 89,928</u>	<u>\$ 117,373</u>
Beginning cash balance	<u>\$ 27,445</u>	<u>\$ 27,445</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ 89,928	
Change in payables			<u>9,628</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 99,556</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State shared gross receipts tax	\$ -	\$ -	\$ 4,546	\$ 4,546
Charges for services	23,000	23,000	31,525	8,525
Other	<u>40,000</u>	<u>40,000</u>	<u>20,364</u>	<u>( 19,636)</u>
<b>Total revenues</b>	<u>63,000</u>	<u>63,000</u>	<u>56,435</u>	<u>( 6,565)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Culture and recreation	<u>373,565</u>	<u>373,565</u>	<u>318,394</u>	<u>55,171</u>
<b>Total expenditures</b>	<u>373,565</u>	<u>373,565</u>	<u>318,394</u>	<u>55,171</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 310,565)</u>	<u>( 310,565)</u>	<u>( 261,959)</u>	<u>48,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>295,608</u>	<u>295,608</u>	<u>295,608</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>295,608</u>	<u>295,608</u>	<u>295,608</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ ( 14,957)</u>	<u>\$ ( 14,957)</u>	<u>\$ 33,649</u>	<u>\$ 48,606</u>
Beginning cash balance	<u>\$ 21,057</u>	<u>\$ 21,057</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
<b>Net increase (decrease) in fund balances budget basis</b>			\$ 33,649	
Change in receivables			153	
Change in payables			<u>230</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 34,032</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Lodgers' tax	\$ 108,000	\$ 108,000	\$ 69,506	\$( 38,494)
State grants	<u>-</u>	<u>33,446</u>	<u>33,446</u>	<u>-</u>
<b>Total revenues</b>	<u>108,000</u>	<u>141,446</u>	<u>102,952</u>	<u>( 38,494)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Culture and recreation	106,650	150,096	145,155	4,941
<b>Capital Outlay</b>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<b>Total expenditures</b>	<u>109,650</u>	<u>153,096</u>	<u>145,155</u>	<u>7,941</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 1,650)</u>	<u>( 11,650)</u>	<u>( 42,203)</u>	<u>( 30,553)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	10,000	
Transfers out	<u>( 20,000)</u>	<u>( 20,000)</u>	<u>( 20,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>( 10,000)</u>	<u>( 10,000)</u>	<u>( 10,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$( 11,650)</u>	<u>\$( 21,650)</u>	<u>\$( 52,203)</u>	<u>\$( 30,553)</u>
Beginning cash balance	<u>\$ 162,219</u>	<u>\$ 162,219</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
<b>Net increase (decrease) in fund balances budget basis</b>			\$( 52,203)	
<b>Change in receivables</b>			10,175	
<b>Change in payables</b>			<u>937</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$( 41,091)</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Lodgers' tax	\$ 220,000	\$ 220,000	\$ 267,437	\$ 47,437
Other	<u>14,250</u>	<u>14,250</u>	<u>11,808</u>	<u>( 2,442)</u>
<b>Total revenues</b>	<u>234,250</u>	<u>234,250</u>	<u>279,245</u>	<u>44,995</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Culture and recreation	227,023	229,323	223,957	5,366
<b>Capital Outlay</b>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<b>Total expenditures</b>	<u>233,023</u>	<u>235,323</u>	<u>223,957</u>	<u>11,366</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,227</u>	<u>( 1,073)</u>	<u>55,288</u>	<u>56,361</u>
<b>Net change in fund balances</b>	<u>\$ 1,227</u>	<u>\$ ( 1,073)</u>	<u>\$ 55,288</u>	<u>\$ 56,361</u>
Beginning cash balance	<u>\$ 33,489</u>	<u>\$ 33,489</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ 55,288	
Change in receivables			<u>690</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 55,978</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State grants	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
<b>Total revenues</b>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Public Safety	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Total expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2010**

	<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>
<b>REVENUES</b>				
State grants	\$ 29,600	\$ 29,600	\$ 29,600	\$ -
<b>Total revenues</b>	29,600	29,600	29,600	-
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Public Safety	-	-	22,111	( 22,111)
<b>Capital Outlay</b>	29,600	29,600	7,489	22,111
<b>Total expenditures</b>	29,600	29,600	29,600	-
<b>Excess (deficiency) of revenues</b>				
<b>over expenditures</b>	-	-	-	-
<b>Net change in fund balances</b>	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO  
CITY OF SOCORRO  
CORRECTIONAL FEES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2010

	<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>
<b>REVENUES</b>				
Fines and forfeitures	\$ 34,000	\$ 34,000	\$ 65,106	\$ 31,106
<b>Total revenues</b>	<u>34,000</u>	<u>34,000</u>	<u>65,106</u>	<u>31,106</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Public Safety	62,983	62,983	40,375	22,608
<b>Total expenditures</b>	<u>62,983</u>	<u>62,983</u>	<u>40,375</u>	<u>22,608</u>
<b>Excess (deficiency) of revenues over expenditures</b>	( 28,983)	( 28,983)	24,731	53,714
<b>Net change in fund balances</b>	<u>\$( 28,983)</u>	<u>\$( 28,983)</u>	<u>\$ 24,731</u>	<u>\$ 53,714</u>
Beginning cash balance	<u>\$ 58,807</u>	<u>\$ 58,807</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ 24,731	
Change in payables			<u>40,000</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 64,731</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 12,240)	( 12,240)	( 12,240)	-
Total other financing sources (uses)	( 12,240)	( 12,240)	( 12,240)	-
	( 12,240)	( 12,240)	( 12,240)	-
<b>Net change in fund balances</b>	<u>\$( 12,240)</u>	<u>\$( 12,240)</u>	<u>\$( 12,240)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 12,240</u>	<u>\$ 12,240</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Charges for services	\$ 19,000	\$ 19,000	\$ 22,937	\$ 3,937
<b>Total revenues</b>	<u>19,000</u>	<u>19,000</u>	<u>22,937</u>	<u>3,937</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Culture and recreation	<u>32,500</u>	<u>62,500</u>	<u>60,535</u>	<u>1,965</u>
<b>Total expenditures</b>	<u>32,500</u>	<u>62,500</u>	<u>60,535</u>	<u>1,965</u>
<b>Excess (deficiency) of revenues over expenditures</b>	( 13,500)	( 43,500)	( 37,598)	<u>5,902</u>
<b>Net change in fund balances</b>	\$( 13,500)	\$( 43,500)	\$( 37,598)	<u>\$ 5,902</u>
Beginning cash balance	<u>\$ 65,565</u>	<u>\$ 65,565</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
State grants	\$ 750	\$ 750	\$ 1,146	\$ 396
Charges for services	600	600	100	( 500)
Other	<u>3,500</u>	<u>3,500</u>	<u>1,831</u>	<u>( 1,669)</u>
<b>Total revenues</b>	<u>4,850</u>	<u>4,850</u>	<u>3,077</u>	<u>( 1,773)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Culture and recreation	4,850	4,850	1,983	2,867
<b>Capital Outlay</b>	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
<b>Total expenditures</b>	<u>22,850</u>	<u>22,850</u>	<u>1,983</u>	<u>20,867</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 18,000)</u>	<u>( 18,000)</u>	<u>1,094</u>	<u>19,094</u>
<b>Net change in fund balances</b>	<u>\$( 18,000)</u>	<u>\$( 18,000)</u>	<u>\$ 1,094</u>	<u>\$ 19,094</u>
 Beginning cash balance	 <u>\$ 19,961</u>	 <u>\$ 19,961</u>		

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

STATE OF NEW MEXICO  
CITY OF SOCORRO  
CALIFORNIA STREET GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Federal grant	\$ 864,000	\$ 864,000	\$ -	\$( 864,000)
<b>Total revenues</b>	<u>864,000</u>	<u>864,000</u>	<u>-</u>	<u>( 864,000)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
Capital Outlay	<u>864,000</u>	<u>864,000</u>	<u>204,045</u>	<u>659,955</u>
<b>Total expenditures</b>	<u>864,000</u>	<u>864,000</u>	<u>204,045</u>	<u>659,955</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>( 204,045)</u>	<u>( 204,045)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	205,000	205,000	205,000	-
Transfers out	<u>( 200,000)</u>	<u>( 200,000)</u>	<u>-</u>	<u>200,000</u>
<b>Total other financing sources (uses)</b>	<u>5,000</u>	<u>5,000</u>	<u>205,000</u>	<u>200,000</u>
<b>Net change in fund balances</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 955</u>	<u>\$( 4,045)</u>
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ 955	
Change in receivables			347,720	
Change in payables			<u>( 143,675)</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 205,000</u>	

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

STATE OF NEW MEXICO  
CITY OF SOCORRO  
JUSTICE ASSISTANCE GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal grant	\$ 57,424	\$ 57,424	\$ 57,424	\$ -
<b>Total revenues</b>	<u>57,424</u>	<u>57,424</u>	<u>57,424</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	10,928	10,928	14,848	( 3,920)
<b>Capital Outlay</b>	<u>46,496</u>	<u>46,496</u>	<u>42,576</u>	<u>3,920</u>
<b>Total expenditures</b>	<u>57,424</u>	<u>57,424</u>	<u>57,424</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CITY OF SOCORRO**  
**PARK PLAZA RENOVATIONS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
State grants	\$ 13,713	\$ 13,713	\$ 13,710	\$( 3)
<b>Total revenues</b>	<u>13,713</u>	<u>13,713</u>	<u>13,710</u>	<u>( 3)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	15,693	15,693	13,890	1,803
<b>Capital Outlay</b>	<u>40,000</u>	<u>40,000</u>	<u>13,925</u>	<u>26,075</u>
<b>Total expenditures</b>	<u>40,000</u>	<u>55,693</u>	<u>27,815</u>	<u>27,878</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 26,287)</u>	<u>( 41,980)</u>	<u>( 14,105)</u>	<u>27,875</u>
<b>Net change in fund balances</b>	<u>\$( 26,287)</u>	<u>\$( 41,980)</u>	<u>\$( 14,105)</u>	<u>\$ 27,875</u>
Beginning cash & investments balance	<u>\$ 43,355</u>	<u>\$ 43,355</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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State grants	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	-	-	-	-
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 7,686</u>	<u>\$ 7,686</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal grants	\$ -	\$ 51,316	\$ 21,517	\$( 29,799)
<b>Total revenues</b>	<u>-</u>	<u>51,316</u>	<u>21,517</u>	<u>( 29,799)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	-	-	-	-
<b>Capital Outlay</b>	<u>-</u>	<u>52,632</u>	<u>18,737</u>	<u>33,895</u>
<b>Total expenditures</b>	<u>-</u>	<u>52,632</u>	<u>18,737</u>	<u>33,895</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>( 1,316)</u>	<u>2,780</u>	<u>4,096</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$( 1,316)</u>	<u>\$ 2,780</u>	<u>\$ 4,096</u>
Beginning cash balance	<u>\$ 29,845</u>	<u>\$ 29,845</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ 2,780	
Change in payables			<u>-</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 2,780</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State grants	\$ 467,333	\$ 567,333	\$ 398,452	\$( 168,881)
<b>Total revenues</b>	<u>467,333</u>	<u>567,333</u>	<u>398,452</u>	<u>( 168,881)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	-	-	32,092	( 32,092)
<b>Capital Outlay</b>	<u>136,666</u>	<u>290,000</u>	<u>154,714</u>	<u>135,286</u>
<b>Total expenditures</b>	<u>136,666</u>	<u>290,000</u>	<u>186,806</u>	<u>103,194</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>330,667</u>	<u>277,333</u>	<u>211,646</u>	<u>( 65,687)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in & (out)	( 175,000)	( 175,000)	( 175,000)	-
<b>Total other financing sources (uses)</b>	<u>( 175,000)</u>	<u>( 175,000)</u>	<u>( 175,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 155,667</u>	<u>\$ 102,333</u>	<u>\$ 36,646</u>	<u>\$( 65,687)</u>
Beginning cash balance	<u>\$ 3,278</u>	<u>\$ 3,278</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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State grants	\$ 518,000	\$ 518,000	\$ 112,415	\$( 405,585)
<b>Total revenues</b>	<u>518,000</u>	<u>518,000</u>	<u>112,415</u>	<u>( 405,585)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	-	-	1,633	( 1,633)
<b>Capital Outlay</b>	<u>518,000</u>	<u>518,000</u>	<u>91,798</u>	<u>426,202</u>
<b>Total expenditures</b>	<u>518,000</u>	<u>518,000</u>	<u>93,431</u>	<u>424,569</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>18,984</u>	<u>18,984</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>( 50,000)</u>	<u>( 50,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>( 50,000)</u>	<u>( 50,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$( 50,000)</u>	<u>\$( 31,016)</u>	<u>\$ 18,984</u>
Beginning cash balance	<u>\$ 42,958</u>	<u>\$ 42,958</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
<b>Net increase (decrease) in fund balances budget basis</b>			\$( 31,016)	
<b>Change in receivables</b>			<u>( 56,692)</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$( 87,708)</u>	

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

STATE OF NEW MEXICO  
CITY OF SOCORRO  
SAFE ROUTES PROJECT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
State grants	\$ 15,000	\$ 15,000	\$ -	\$( 15,000)
<b>Total revenues</b>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>( 15,000)</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	<u>15,000</u>	<u>15,000</u>	<u>10,437</u>	<u>4,563</u>
<b>Total expenditures</b>	<u>15,000</u>	<u>15,000</u>	<u>10,437</u>	<u>4,563</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>( 10,437)</u>	<u>( 10,437)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>11,000</u>	<u>( 4,000)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>11,000</u>	<u>( 4,000)</u>
<b>Net change in fund balances</b>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 563</u>	<u>\$( 14,437)</u>
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$ 563	
Change in accounts receivable			10,437	
Change in deferred revenue			<u>( 10,437)</u>	
<b>Net change in fund balances GAAP basis</b>			<u>\$ 563</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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Gross receipts tax	\$ -	\$ -	\$ 144,048	\$ 144,048
Investment	<u>6,346</u>	<u>6,346</u>	<u>228</u>	<u>( 6,118)</u>
<b>Total revenues</b>	<u>6,346</u>	<u>6,346</u>	<u>144,276</u>	<u>137,930</u>
<b>EXPENDITURES</b>				
<b>Current operations:</b>				
General government	-	-	5,652	( 5,652)
<b>Capital Outlay</b>	300,000	300,000	67,866	232,134
<b>Debt service:</b>				
Principal	78,332	78,332	78,332	-
Interest	38,351	38,351	35,935	2,416
Fees and other	<u>2,284</u>	<u>2,284</u>	<u>2,862</u>	<u>( 578)</u>
<b>Total expenditures</b>	<u>418,967</u>	<u>418,967</u>	<u>190,647</u>	<u>228,320</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 412,621)</u>	<u>( 412,621)</u>	<u>( 46,371)</u>	<u>366,250</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	515,000	1,115,000	425,000	( 690,000)
Transfers out	<u>( 340,000)</u>	<u>( 865,000)</u>	<u>( 556,000)</u>	<u>309,000</u>
<b>Total other financing sources (uses)</b>	<u>175,000</u>	<u>250,000</u>	<u>( 131,000)</u>	<u>( 381,000)</u>
<b>Net change in fund balances</b>	<u><u>\$ ( 237,621)</u></u>	<u><u>\$ ( 162,621)</u></u>	<u><u>\$ ( 177,371)</u></u>	<u><u>\$ ( 14,750)</u></u>
Beginning cash and investment balances	<u>\$ 403,996</u>	<u>\$ 403,996</u>		
<b>RECONCILIATION TO GAAP BASIS</b>				
Net increase (decrease) in fund balances budget basis			\$( 177,371)	
Change in receivables			<u>( 1,844)</u>	
<b>Net change in fund balances GAAP basis</b>			<u><u>\$ ( 179,215)</u></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, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Operating Revenues:</b>				
Charges for services	\$ 6,684,500	\$ 6,684,500	\$ 6,371,268	\$( 313,232)
Connection charges	65,000	65,000	45,593	( 19,407)
Other revenue	<u>7,000</u>	<u>7,000</u>	<u>16,310</u>	<u>9,310</u>
<b>Total operating revenues</b>	<u>6,756,500</u>	<u>6,756,500</u>	<u>6,433,171</u>	<u>( 323,329)</u>
<b>Operating Expenses:</b>				
Natural gas purchases	1,400,000	1,400,000	1,466,795	( 66,795)
Salaries	1,588,964	1,585,724	1,588,857	( 3,133)
Benefits	615,223	600,263	589,617	10,646
Other operating expense	2,146,565	2,204,765	2,076,724	128,041
Payment in lieu of taxes	<u>232,504</u>	<u>232,504</u>	<u>264,882</u>	<u>( 32,378)</u>
<b>Total operating expenses</b>				
<b>excluding non-budgeted expenses</b>	<u>5,983,256</u>	<u>6,023,256</u>	<u>5,986,875</u>	<u>36,381</u>
<b>Net operating income excluding non-budgeted expenses</b>	<u>773,244</u>	<u>733,244</u>	<u>446,296</u>	<u>( 286,948)</u>
<b>Non-operating income (deductions):</b>				
Taxes	79,750	79,750	88,093	8,343
Interest income	41,332	41,332	2,364	( 38,968)
Interest expense	( 105,303)	( 105,303)	( 88,685)	16,618
Principal expense	( 233,669)	( 233,669)	-	233,669
Transfers in (out) from other funds	170,000	170,000	340,000	170,000
Capital grants	<u>-</u>	<u>1,211,700</u>	<u>991,174</u>	<u>( 220,526)</u>
<b>Total non-operating income (deductions)</b>	<u>( 47,890)</u>	<u>1,163,810</u>	<u>1,332,946</u>	<u>169,136</u>
<b>Net income (loss), excluding non-budgeted expenses</b>	<u>725,354</u>	<u>1,897,054</u>	<u>1,779,242</u>	<u>( 117,812)</u>
<b>Less non-budgeted expenses:</b>				
Depreciation	<u>-</u>	<u>-</u>	<u>599,782</u>	<u>( 599,782)</u>
<b>Total non-budgeted expenses</b>	<u>-</u>	<u>-</u>	<u>599,782</u>	<u>( 599,782)</u>
<b>Net income (loss)</b>	<u>\$ 725,354</u>	<u>\$ 1,897,054</u>	<u>\$ 1,179,460</u>	<u>\$( 717,594)</u>

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

STATE OF NEW MEXICO  
CITY OF SOCORRO  
PROPRIETARY FUNDS  
DEPARTMENTAL  
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Natural Gas</u>	<u>Water</u>	<u>Waste Water</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 2,998,358	\$ 1,097,819	\$ 1,032,344
Connection charges	19,172	17,246	9,175
Other revenue	<u>1,638</u>	<u>3,864</u>	<u>1,230</u>
<b>Total operating revenues</b>	<u>3,019,168</u>	<u>1,118,929</u>	<u>1,042,749</u>
<b>Operating Expenses:</b>			
Natural gas purchases	1,466,795	-	-
Salaries	373,257	381,033	370,369
Benefits	105,928	146,194	162,392
Other operating expense	523,565	557,464	591,729
Depreciation	71,150	145,169	252,650
Payment in lieu of taxes	<u>160,537</u>	<u>54,462</u>	<u>49,883</u>
<b>Total operating expenses</b>	<u>2,701,232</u>	<u>1,284,322</u>	<u>1,427,023</u>
<b>Operating income (loss)</b>	317,936	( 165,393)	( 384,274)
<b>Non-operating income (deductions):</b>			
Taxes			
Interest income			
Interest expense			
Transfers in (out) from other funds			
Capital grants			
<b>Total non-operating income (deductions)</b>			
<b>Net income (loss)</b>			
<b>Net assets, beginning of year</b>			
<b>Net assets, end of year</b>			

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

<u>Solid Waste</u>	<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
\$ 831,485	\$ 394,619	\$ 16,643	\$ 6,371,268
-	-	-	45,593
-	9,578	-	16,310
<u>831,485</u>	<u>404,197</u>	<u>16,643</u>	<u>6,433,171</u>
-	-	-	1,466,795
168,450	230,187	65,561	1,588,857
63,967	85,343	25,793	589,617
199,968	196,310	7,688	2,076,724
32,429	98,384	-	599,782
-	-	-	264,882
<u>464,814</u>	<u>610,224</u>	<u>99,042</u>	<u>6,586,657</u>
366,671	( 206,027)	( 82,399)	( 153,486)
			88,093
			2,364
			( 88,685)
			340,000
			<u>991,174</u>
			<u>1,332,946</u>
			<u>1,179,460</u>
			<u>9,523,394</u>
			<u>\$ 10,702,854</u>

(Continued)

## **FEDERAL COMPLIANCE AND FINDINGS**



**STATE OF NEW MEXICO  
CITY OF SOCORRO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2010**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development Direct CDBG-Cuba Road Drainage Phase I	14.218	09-C-NR-I-01-G-10	\$ 304,834
U.S. Department of Justice Bureau of Justice Assistance Justice Assistance Grant	16.804	2009-SB-B9-2060	57,424
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation California Street Project	20.205	ARRA ES 11250	347,720
U.S. Department of Agriculture Rural Development Waste Water System Improvement Project	66.458	ARRA CWSRF 14	916,099
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation Safe Routes to School	20.999	SRSF-7700(155)	10,437
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation Terminal Renovations	20.106	AIP-35-0040-08	15,748
All Weather Observation System		AIP-35-0040-07	<u>2,989</u>
Total Federal Financial Awards Expenditures			<u>\$ 1,655,251</u>

Note A - Significant Accounting Policies:

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



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

**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 aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparison presented as supplemental information, of the City of Socorro, New Mexico (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. 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'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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as findings 2006-1 and 2010-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2006-1 and 2010-1.

The City of Socorro, New Mexico's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

*Pattillo, Brown & Hill LLP*

Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
December 22, 2010



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

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the City of Socorro, New Mexico, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Socorro, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Socorro, New Mexico's management. Our responsibility is to express an opinion on the City of Socorro, New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Socorro, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Socorro, New Mexico's compliance with those requirements.

In our opinion, the City of Socorro, New Mexico, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of the City of Socorro, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Socorro, New Mexico's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Socorro's internal control over compliance.

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

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

The City of Socorro's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Socorro's response and, accordingly, we express no opinion on it.

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

*Pattillo, Brown & Hill LLP*

Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
December 22, 2010

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Socorro.
2. Two significant deficiencies in internal control were disclosed during the audit but were not considered material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal awards programs for the City of Socorro expresses an unqualified opinion.
6. There were no audit findings relative to the major federal awards programs for the City of Socorro to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs included:  
Justice Assistance Grant, California Street Project Grant, Wastewater System Improvement Project and Cuba Road Drainage Phase 1
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Socorro was not determined to qualify as a low risk auditee.

**B. Findings- Financial Statements Audit**

Reportable Conditions – Prior Year

- 2006-1 Late Submission of Audit Report-repeat
- 2008-2 Excess of Expenditures Over Budget-resolved
- 2009-1 Sale of Equipment-resolved

Current Year

- 2006-1 Late Submission of Audit Report
- 2010-1 Budget Deficit in Excess of Cash

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

<b>2006 – 1</b>	<b>Submission of Audit Report:</b>
Condition:	The audit report was submitted to the State Auditor on December 23, 2010, after the due date of December 1 <sup>st</sup> .
Criteria:	Section 2.2.2.9.A (1)(d) of the Audit Rule 2010 establishes the audit due date for municipalities as December 1 <sup>st</sup> .
Effect:	Noncompliance with section 2.2.2.9.A (1)(d) of the State Audit Rule 2010. Late audit reports could have an effect on local, state and federal funding.
Cause:	The City was awaiting on software programmers to complete errors that had occurred in their fixed asset program.
Recommendation:	The City should monitor their fixed asset program to ensure close out procedures are done correctly, which would allow complete audit information in a timely manner and delivery of the report by the due date.
Response:	The City concurs with the auditors' recommendations.

**STATE OF NEW MEXICO  
CITY OF SOCORRO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**2010 – 1                      Budget Deficit in Excess of Cash:**

Condition:                      The City’s final approved budget for the Rodeo Arena and Convention Center Fund included a deficit of that exceeded the beginning cash balances in the amount of \$7,042.

Criteria:                        The New Mexico State Statute, Section 6-6-11 NMSA 1978, states that a municipal governing body may not “It is unlawful for any municipal governing body for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of money actually collected and belonging to that current year.”

Effect:                         The City’s final approved budget included expenditures in excess of revenues and the beginning cash balance, in violation of state statutes. Expenditures budgeted in excess of available cash balances increase the likelihood of the City overspending and expenditures in excess of available funds.

Cause:                         The City budgeted a transfer out without reducing their other budgeted expenditures, creating a budget deficit in excess of beginning cash.

Recommendation:           The City should review available cash balances when preparing a Budget Adjustment Request, to insure that they have the funds available.

Response:                     Management agrees and will monitor to ensure that budget adjustments do not exceed cash available.



**STATE OF NEW MEXICO  
CITY OF SOCORRO  
OTHER DISCLOSURES  
JUNE 30, 2010**

**EXIT CONFERENCE**

An exit conference was held on December 22, 2010 by Cindy James, CPA of Pattillo, Brown & Hill, L.L.P. with Ravi Bhasker, Mayor, Patrick Salome, Jr, Clerk, Nick Fleming, Councilor and Mable Gonzales, Finance Director, of 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.