

**STATE OF NEW MEXICO
CITY OF SOCORRO
AUDIT REPORT
JUNE 30, 2011**

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2011**

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Function of the Entity	1
Official Roster	2
FINANCIAL STATEMENTS SECTION	
Independent Auditors' Report	4-5
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	6-7
Statement of Activities	8-9
Fund Financial Statements	
Balance Sheet-Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Change in Fund Balances Budget (Non-GAAP Basis) and Actual on Budgetary Basis	
General Fund.....	17
Statement of Net Assets-Proprietary Funds	19
Statement of Revenues, Expenses and Change in Fund Net Assets- Proprietary Funds	21
Statement of Cash Flows-Proprietary Funds	23
Notes to the Financial Statements	25-49
OTHER SUPPLEMENTARY INFORMATION	
Non-Major Governmental Funds	52-53
Combining and Individual Fund Financial Statements:	
Combining Balance Sheet-Nonmajor Governmental Funds	54-57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds	58-61

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

Fire Protection Fund	62
Recreation Fund.....	63
Lodgers Tax Fund.....	64
Lodgers Tax Promotional Fund	65
Emergency Medical Services Fund	66
Law Enforcement Protection Fund	67
Correctional Fees Fund.....	68
E-911 Fund	69
Sedillo Park Renovations Fund.....	70
Library Fund	71
California Street Grant Fund.....	72
Park Plaza Renovations Fund	73
Animal Control Shelter	74
Airport Improvement Fund.....	75
Street Improvement Fund	76
Rodeo Arena and Convention Center	77
Safe Routes Project.....	78
CDBG Cuba Road Phase II	79
CDBG Cuba Road Phase I.....	80
Debt Service	81

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

Proprietary Funds.....	83
-------------------------------	-----------

Schedule of Revenues, Expenses and Change in Fund Net Assets

Proprietary Funds- Departmental	84-85
--	--------------

FEDERAL COMPLIANCE AND FINDINGS

Schedule of Expenditures of Federal Awards.....	89
--	-----------

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	90-91
---	--------------

Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	92-93
--	--------------

Schedule of Findings and Questioned Costs	94-96
--	--------------

Other Disclosures	97
--------------------------------	-----------

INTRODUCTORY SECTION

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2011**

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, 2011**

OFFICIAL ROSTER

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

FINANCIAL STATEMENTS SECTION

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 and the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Socorro, New Mexico (City), as of and for the year ended June 30, 2011, 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 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, 2011, 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 and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in 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 November 29, 2011, 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 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
November 29, 2011

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 790,610	\$ 29,027	\$ 819,637
Investments	724,024	-	724,024
Receivables (net of allowances for uncollectibles)	570,621	999,981	1,570,602
Internal balances	203,528	(203,528)	-
Bond premium & loan fees	4,228	47,527	51,755
Inventory	<u>18,248</u>	<u>71,879</u>	<u>90,127</u>
Total current assets	<u>2,311,259</u>	<u>944,886</u>	<u>3,256,145</u>
Other assets:			
Restricted cash and investments	\$ <u>159,837</u>	<u>1,864,403</u>	<u>2,024,240</u>
Total other assets	<u>159,837</u>	<u>1,864,403</u>	<u>2,024,240</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	308,719	522,700	831,419
Construction in progress	46,358	2,232,691	2,279,049
Capital assets being depreciated	23,547,642	23,133,649	46,681,291
Less: accumulated depreciation	<u>(8,853,913)</u>	<u>(14,358,192)</u>	<u>(23,212,105)</u>
Total capital assets	<u>15,048,806</u>	<u>11,530,848</u>	<u>26,579,654</u>
Total noncurrent assets	<u>15,048,806</u>	<u>11,530,848</u>	<u>26,579,654</u>
Total assets	<u>17,519,902</u>	<u>14,340,137</u>	<u>31,860,039</u>

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

LIABILITIES	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 63,558	\$ 79,284	\$ 142,842
Accrued payroll expenses	23,085	-	23,085
Accrued interest payable	9,617	9,481	19,098
Capital leases payable - current	-	41,539	41,539
Current portion long term debt	<u>83,094</u>	<u>202,936</u>	<u>286,030</u>
Total current liabilities	<u>179,354</u>	<u>333,240</u>	<u>512,594</u>
Noncurrent liabilities:			
Meter deposits	-	90,417	90,417
Compensated absences	199,054	89,071	288,125
Landfill closure and post closing liability	-	733,720	733,720
Capital leases payable	-	111,310	111,310
Bonds and loans payable less current portion	<u>1,211,927</u>	<u>2,294,155</u>	<u>3,506,082</u>
Total noncurrent liabilities	<u>1,410,981</u>	<u>3,318,673</u>	<u>4,729,654</u>
 Total liabilities	 <u>1,590,335</u>	 <u>3,651,913</u>	 <u>5,242,248</u>
 NET ASSETS			
Invested in capital assets, net of related debt	13,744,168	8,880,908	22,625,076
Restricted for:			
Debt service	294,881	1,083,779	1,378,660
Capital projects	130,554	780,624	911,178
Unrestricted	<u>1,759,964</u>	<u>(57,087)</u>	<u>1,702,877</u>
 Total net assets	 <u>\$ 15,929,567</u>	 <u>\$ 10,688,224</u>	 <u>\$ 26,617,791</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 1,628,844	\$ 281,883	\$ 381,900	\$ 65,027
Judicial	426,083	193,297	-	80,539
Public safety	3,250,889	536,923	407,762	54,991
Public works	1,199,276	-	-	-
Culture and recreation	1,635,637	53,509	11,159	537,091
Interest and fees on long-term debt	40,796	-	-	-
Total governmental activities	<u>8,181,525</u>	<u>1,065,612</u>	<u>800,821</u>	<u>737,648</u>
Business-type activities:				
Natural gas	\$ 2,338,453	\$ 2,355,706	\$ -	\$ -
Water	1,284,645	1,478,237	-	174,377
Waste water	1,399,613	1,152,146	-	-
Solid waste	441,226	881,268	-	-
Landfill	948,356	308,114	-	-
Recycling	90,218	24,870	-	-
Total business-type activities	<u>6,502,511</u>	<u>6,200,341</u>	<u>-</u>	<u>174,377</u>
Total primary government	<u>\$ 14,684,036</u>	<u>\$ 7,265,953</u>	<u>\$ 800,821</u>	<u>\$ 912,025</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
\$(900,034)	\$ -	\$(900,034)
(152,247)	-	(152,247)
(2,251,213)	-	(2,251,213)
(1,199,276)	-	(1,199,276)
(1,033,878)	-	(1,033,878)
(40,796)	-	(40,796)
<u>(5,577,444)</u>	<u>-</u>	<u>(5,577,444)</u>
\$ -	\$ 17,253	\$ 17,253
-	367,969	367,969
-	(247,467)	(247,467)
-	440,042	440,042
-	(640,242)	(640,242)
<u>-</u>	<u>(65,348)</u>	<u>(65,348)</u>
<u>-</u>	<u>(127,793)</u>	<u>(127,793)</u>
<u>(5,577,444)</u>	<u>(127,793)</u>	<u>(5,705,237)</u>
509,272	-	509,272
246,593	86,486	333,079
3,707,359	-	3,707,359
340,929	-	340,929
226,897	-	226,897
1,429	1,677	3,106
208,237	-	208,237
(25,000)	25,000	-
<u>5,215,716</u>	<u>113,163</u>	<u>5,328,879</u>
<u>(361,728)</u>	<u>(14,630)</u>	<u>(376,358)</u>
<u>16,291,295</u>	<u>10,702,854</u>	<u>26,994,149</u>
<u>\$ 15,929,567</u>	<u>\$ 10,688,224</u>	<u>\$ 26,617,791</u>

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

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

ASSETS	General	Other Governmental Funds	Total Governmental Funds
Cash	\$ 213,384	\$ 577,226	\$ 790,610
Cash - restricted	-	159,837	159,837
Investments	593,208	130,816	724,024
Accounts receivable (net of allowance)	502,647	67,974	570,621
Inventory	18,248	-	18,248
Due from other funds	250,528	-	250,528
Total assets	\$ 1,578,015	\$ 935,853	\$ 2,513,868
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 34,680	\$ 28,878	\$ 63,558
Accrued payroll expenses	23,085	-	23,085
Due to other funds	47,000	-	47,000
Total liabilities	104,765	28,878	133,643
 Fund balances:			
Non-spendable:			
Inventory	18,248	-	18,248
Restricted for:			
Debt service	-	290,653	290,653
Capital projects	-	130,554	130,554
Special revenue	-	485,768	485,768
Unassigned	1,455,002	-	1,455,002
Total fund balances	1,473,250	906,975	2,380,225
Total liabilities & fund balances	\$ 1,578,015	\$ 935,853	

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

(1,499,464)

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

15,048,806

\$ 15,929,567

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

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Gross receipts tax	\$ 1,918,863	\$ 117,327	\$ 2,036,190
Property taxes	509,272	-	509,272
Lodgers' tax	-	340,929	340,929
Other state shared taxes	246,593	-	246,593
Franchise tax	226,897	-	226,897
Licenses and permits	34,120	-	34,120
Intergovernmental	446,927	1,101,979	1,548,906
Charges for services	818,806	53,509	872,315
Fines and forfeitures	144,471	48,826	193,297
State shared gross receipts tax	1,670,727	442	1,671,169
Other	154,228	19,889	174,117
Investment	<u>1,078</u>	<u>351</u>	<u>1,429</u>
Total revenues	<u>6,171,982</u>	<u>1,683,252</u>	<u>7,855,234</u>
EXPENDITURES			
Current operations:			
General government	1,372,681	47,346	1,420,027
Judicial	170,422	-	170,422
Public safety	2,664,573	407,651	3,072,224
Public works	757,115	-	757,115
Culture and recreation	788,151	626,777	1,414,928
Debt service:			
Principal	-	80,643	80,643
Interest	-	33,824	33,824
Fees and other	-	7,239	7,239
Capital outlay:	<u>144,071</u>	<u>1,226,063</u>	<u>1,370,134</u>
Total expenditures	<u>5,897,013</u>	<u>2,429,543</u>	<u>8,326,556</u>
Excess (deficiency) of revenues over expenditures	274,969	(746,291)	(471,322)
Other financing sources (uses):			
Debt proceeds	-	309,575	309,575
Transfers in	395,733	654,230	1,049,963
Transfers out	<u>(678,601)</u>	<u>(396,362)</u>	<u>(1,074,963)</u>
Total other financing sources (uses)	<u>(282,868)</u>	<u>567,443</u>	<u>284,575</u>
Net change in fund balances	<u>(7,899)</u>	<u>(178,848)</u>	<u>(186,747)</u>
Fund balances, beginning of year	<u>1,481,149</u>	<u>1,085,823</u>	<u>2,566,972</u>
Fund balances, end of year	<u>\$ 1,473,250</u>	<u>\$ 906,975</u>	<u>\$ 2,380,225</u>

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

(This page intentionally left blank)

**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, 2011**

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

Net change in fund balances - total governmental funds	\$(186,747)
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.	85,312
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	(224,704)
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.	<u>(25,152)</u>
Change in net assets of governmental activities	<u><u>\$(361,728)</u></u>

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

(This page intentionally left blank)

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,855,000	\$ 1,855,000	\$ 1,918,755	\$ 63,755
Property taxes	433,695	433,695	508,972	75,277
Other state shared taxes	287,000	287,000	248,630	(38,370)
Franchise tax	200,000	200,000	209,221	9,221
Licenses and permits	36,200	36,200	34,120	(2,080)
Intergovernmental	1,447,792	389,456	446,927	57,471
Charges for services	1,145,000	1,145,000	830,663	(314,337)
Fines and forfeitures	131,415	131,415	144,471	13,056
State shared gross receipts tax	1,600,000	1,600,000	1,670,727	70,727
Other	186,202	187,702	154,228	(33,474)
Investment	25,000	25,000	1,078	(23,922)
Total revenues	<u>7,347,304</u>	<u>6,290,468</u>	<u>6,167,792</u>	<u>(122,676)</u>
EXPENDITURES				
Current operations:				
General government	1,376,738	1,388,054	1,354,679	33,375
Judicial	156,564	166,014	170,422	(4,408)
Public safety	2,766,881	2,762,422	2,664,573	97,849
Public works	757,569	786,751	757,115	29,636
Culture and recreation	823,894	880,560	788,151	92,409
Capital Outlay	<u>75,200</u>	<u>157,416</u>	<u>144,071</u>	<u>13,345</u>
Total expenditures	<u>5,956,846</u>	<u>6,141,217</u>	<u>5,879,011</u>	<u>262,206</u>
Excess (deficiency) of revenues over expenditures	1,390,458	149,251	288,781	139,530
OTHER FINANCING SOURCES (USES)				
Transfers in	371,283	395,733	395,733	-
Transfers out	(630,165)	(734,615)	(678,601)	56,014
Total other financing sources (uses)	<u>(258,882)</u>	<u>(338,882)</u>	<u>(282,868)</u>	<u>56,014</u>
Net change in fund balances	<u>\$ 1,131,576</u>	<u>\$ (189,631)</u>	<u>\$ 5,913</u>	<u>\$ 195,544</u>
Beginning cash & investment balance	<u>\$ 870,576</u>	<u>\$ 870,576</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 5,913	
Change in receivables			4,190	
Change in payables			<u>(18,002)</u>	
Net change in fund balances GAAP basis			<u>\$ (7,899)</u>	

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

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

ASSETS

Current assets:

Cash and cash equivalents	\$ 29,027
Accounts receivable (net of allowance for uncollectible)	999,981
Due from other funds	62,913
Inventory	71,879
Total current assets	<u>1,163,800</u>

Restricted assets:

Customers' meter deposits	90,417
Debt payments and reserves	629,737
Landfill improvements	780,624
Landfill improvements & closures and solid waste issues	348,575
Water rights	15,050
Total restricted assets	<u>1,864,403</u>

Other assets:

Deferred loan & bond issue fees	<u>47,527</u>
---------------------------------	---------------

Plant in service:

Non-depreciable assets	
Land	522,700
Construction in progress	2,232,691
Depreciable assets	
Natural gas system	2,348,568
Water and sewer system	18,706,022
Solid waste equipment	2,079,059
Less accumulated depreciation	(14,358,192)
Total property, plant and equipment	<u>11,530,848</u>

Total Assets

14,606,578

LIABILITIES

Current Liabilities:

Accounts payable	79,284
Accrued interest payable	9,481
Due to other funds	266,441
Current portion capital lease	41,539
Current portion long-term debt	202,936
Total current liabilities	<u>599,681</u>

Long term liabilities:

Utility meter deposits	90,417
Compensated absences	89,071
Landfill closure and post closing liability	733,720
Capital lease payable	111,310
Bonds and loans payable less current portion	2,294,155
Total long-term liabilities	<u>3,318,673</u>

Total Liabilities

3,918,354

Net Assets

Invested in capital assets, net of related debt	8,880,908
Restricted for debt service	1,083,779
Restricted for construction	780,624
Unrestricted	(57,087)

Total Net Assets

\$ 10,688,224

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

(This page intentionally left blank)

**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, 2011**

	Total
Operating Revenues:	
Charges for services	\$ 6,149,135
Connection charges	37,888
Other revenue	13,318
Total operating revenues	6,200,341
 Operating Expenses:	
Natural gas purchases	1,207,433
Salaries	1,561,279
Benefits	571,818
Other operating expense	2,197,390
Depreciation	629,937
Payment in lieu of taxes	252,159
Total operating expenses	6,420,016
 Operating income (loss)	(219,675)
 Non-operating income (deductions):	
Taxes	86,486
Interest income	1,677
Interest expense	(82,495)
Transfers in (out) from other funds	25,000
Capital grants	174,377
Total non-operating income (deductions)	205,045
 Net income (loss)	(14,630)
 Net assets, beginning of year	10,702,854
 Net assets, end of year	\$ 10,688,224

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

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities	
Cash received from customers	\$ 6,206,840
Cash payments to employees for services	(2,143,252)
Cash payments to suppliers for goods and services	<u>(3,457,443)</u>
Net cash provided by operating activities	<u>606,145</u>
Cash flows from noncapital financing activities	
Net transfers and due to other funds	25,000
Taxes received	<u>86,486</u>
Net cash provided by capital and related activities	<u>111,486</u>
Cash flows from investing activities	
Interest income	<u>1,677</u>
Net cash used by capital and related activities	<u>1,677</u>
Cash flows from capital investing activities	
Acquisition of capital assets	(1,005,496)
Capital leases	(37,800)
Capital grants	174,377
Principal paid on debt	(200,628)
Interest paid on debt	<u>(83,084)</u>
Net cash used by capital financing activities	<u>(1,152,631)</u>
Net decrease in cash and cash equivalents	(433,323)
Cash and equivalents beginning of year	<u>2,326,753</u>
Cash and equivalents end of year	<u>\$ 1,893,430</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$(219,675)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	629,937
Decrease (increase) in customer receivable	1,932
Decrease (increase) in inventory	40,591
Decrease (increase) in deferred loan fees	3,742
Increase (decrease) in accounts payable	23,986
Increase (decrease) in customer deposits	4,567
Increase (decrease) in compensated absences	(10,155)
Increase (decrease) in liability for landfill closure	<u>131,220</u>
Net cash provided by operating activities	<u>\$ 606,145</u>

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

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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 Balances

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Net 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.

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.

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

F. **Implementation of New Accounting Principles**

For the year ended June 30, 2011 the City implemented GASB Statement No 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally the definitions of the general fund, special revenue fund type, capital projects fund type, and debt service fund type, are clarified by the provisions in this Statement.

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	\$	83,094
Bonds and loans payable long-term		1,211,927
Accrued interest payable		9,617
Loan fees	(4,228)
Compensated absences		<u>199,054</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u>1,499,464</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	\$ 1,370,134
Depreciation expense	<u>(1,284,822)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 85,312</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:

Loan proceeds	\$ (309,575)
Loan fees	4,575
Amortization loan fees	(347)
Bond and loan payable	<u>\$ 80,643</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (224,704)</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	\$ (21,191)
Accrued interest	<u>(3,961)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (25,152)</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, 2011, 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, 2011, 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 6-30-11	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6-30-11
First State Bank of Socorro:					
Checking Account Operating	\$ 645,077	\$ 31,012	\$ 433,640	\$ (2,470)	\$ 239,979
Checking Account Payroll	44,718	-	43,192	-	1,526
Investment Account	679,939	-	-	-	679,939
Checking Account E-Pay	9,776	1,185	-	-	10,961
Bank of America :					
Checking Account Operating	<u>47,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,548</u>
Total Cash in Banks	<u>\$ 1,427,058</u>	<u>\$ 32,197</u>	<u>\$ 476,832</u>	<u>\$ (2,470)</u>	979,953
Funds Held by the New Mexico Finance Authority:					
US Treasury Fund Accounts					-
State Treasurers Office					1,082,750
Wells Fargo Brokerage Services					1,504,648
Plus Cash on Hand					<u>550</u>
Total Cash and Investments Per Books					<u>\$ 3,567,901</u>
As Reported in Financial Statements:					
Investments: Unrestricted					\$ 724,024
Restricted					780,624
Cash: Unrestricted					819,637
Restricted					<u>1,243,616</u>
					<u>\$ 3,567,901</u>

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

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

	<u>First State Bank of Socorro</u>	<u>Bank of America</u>	<u>Total</u>
Amount on Deposit in Bank	\$ 1,379,510	\$ 47,548	\$ 1,427,058
Less FDIC Coverage	<u>(250,000)</u>	<u>(47,548)</u>	<u>(297,548)</u>
Uninsured Public Funds	<u>1,129,510</u>	<u>-</u>	<u>1,129,510</u>
Collateral pledged :	<u>STATED AT</u>		
Safekeeping agent, First State Bank, Socorro, NM			
US Treasury Notes CUSIP #912810DZ8	FMV 599,409	-	599,409
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 414,165	-	414,165
Ruidoso Gross Receipts Tax CUSIP #781336AW2	PAR 255,000	-	255,000
	<u>1,973,574</u>	<u>-</u>	<u>1,973,574</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. As of June 30, 2011 \$1,129,510 of the City's bank balance of \$1,427,058 was exposed to custodial credit risk as follows:

	<u>First State Bank</u>	<u>Bank of America</u>
Uninsured and uncollateralized	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>1,129,510</u>	<u>-</u>
Total	<u>\$ 1,129,510</u>	<u>\$ -</u>

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

Cash and Investments (continued)

There are nine cash accounts managed by the New Mexico Finance Authority (NMFA), on deposit with the State Treasurer’s office, in NMFA’s name and are held for the benefit of the City. These accounts expose the City to custodial credit risk of \$1,082,750.

<u>NMFA</u>	
NMFA (Landfill) Proceeds	\$ 780,624
NMFA (Landfill) Reserves	26,189
NMFA (Road) Reserves	8,462
NMFA (Infrastructure) Reserves	95,013
NMFA (Landfill) Reserves	77,587
NMFA New Landfill Cell	20,826
NMFA (Road) Intercept	8,755
NMFA (Infrastructure) Intercept	47,607
NMFA (Landfill) Intercept	<u>17,687</u>
Total	<u>\$ 1,082,750</u>

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

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

As of June 30, 2011 the City had the following investments held at Wells Fargo Brokerage Services:

Wells Fargo Adv. Government MMF	<u>Fair Value</u> \$ 1,504,648	<u>Current</u> \$ 1,504,648
---------------------------------	-----------------------------------	--------------------------------

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 \$1,504,648. The City does not have a formal investment policy to limit this risk.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash and Investments (continued)

Interest Rate Risk – Investments

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

Credit Risk – Investments

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

Concentration of Credit Risk – Investments

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

Investments as Stated in Report:

General Fund	\$ 593,208
Debt Service	130,816
Proprietary Funds Restricted	<u>780,624</u>
Total	<u><u>\$ 1,504,648</u></u>

4. DETAILED NOTES ON ALL FUNDS

Receivables

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

	<u>Governmental Funds</u>			
	<u>General</u>	<u>Non- major</u>	<u>Joint Enterprise Fund</u>	<u>Total</u>
Receivables:				
Customer Accounts	\$ 416,613	\$ -	\$ 1,186,715	\$ 1,603,328
Property Taxes	8,603	-	-	8,603
Franchise Taxes	34,222	-	-	34,222
Gross Receipts Taxes	288,050	-	3,641	291,691
Gas Taxes	13,271	-	-	13,271
Lodgers' Tax	-	42,717	-	42,717
Motor Vehicle Fees	3,851	-	-	3,851
Other Governments	<u>30,053</u>	<u>25,257</u>	-	<u>55,310</u>
Gross receivables	794,663	67,974	1,190,356	2,052,993
Less: allowance for uncollectibles	<u>292,016</u>	<u>-</u>	<u>190,375</u>	<u>482,391</u>
Net total receivables	<u><u>\$ 502,647</u></u>	<u><u>\$ 67,974</u></u>	<u><u>\$ 999,981</u></u>	<u><u>\$ 1,570,602</u></u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Adjustments/ Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 308,719	\$ -	\$ -	\$ 308,719
Construction in progress	<u>695,360</u>	<u>46,358</u>	<u>(695,360)</u>	<u>46,358</u>
Total capital assets not being depreciated	<u>1,004,079</u>	<u>46,358</u>	<u>(695,360)</u>	<u>355,077</u>
Capital assets, being depreciated:				
Buildings and improvements	8,175,862	713,822	-	8,889,684
Equipment and vehicles	6,450,590	65,107	(148,922)	6,366,775
Infrastructure	<u>7,050,976</u>	<u>544,847</u>	<u>695,360</u>	<u>8,291,183</u>
Total capital assets being depreciated	<u>21,677,428</u>	<u>1,323,776</u>	<u>546,438</u>	<u>23,547,642</u>
Less accumulated depreciation:				
Buildings and improvements	3,147,820	368,777	-	3,516,597
Equipment and vehicles	3,491,686	457,209	(148,922)	3,799,973
Infrastructure	<u>1,078,507</u>	<u>458,836</u>	<u>-</u>	<u>1,537,343</u>
Total accumulated depreciation	<u>7,718,013</u>	<u>1,284,822</u>	<u>(148,922)</u>	<u>8,853,913</u>
Total capital assets being depreciated, net	<u>13,959,415</u>	<u>38,954</u>	<u>695,360</u>	<u>14,693,729</u>
Governmental activities capital assets, net	<u>\$ 14,963,494</u>	<u>\$ 85,312</u>	<u>\$ -</u>	<u>\$ 15,048,806</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 522,700	\$ -	\$ -	\$ 522,700
Construction in progress	<u>1,677,510</u>	<u>555,181</u>	<u>-</u>	<u>2,232,691</u>
Total capital assets not being depreciated	<u>2,200,210</u>	<u>555,181</u>	<u>-</u>	<u>2,755,391</u>
Capital assets, being depreciated:				
Plant and equipment	<u>22,735,651</u>	<u>450,315</u>	<u>(52,317)</u>	<u>23,133,649</u>
Total capital assets being depreciated	<u>22,735,651</u>	<u>450,315</u>	<u>(52,317)</u>	<u>23,133,649</u>
Less accumulated depreciation:				
Plant and equipment	<u>13,780,572</u>	<u>629,937</u>	<u>(52,317)</u>	<u>14,358,192</u>
Total accumulated depreciation	<u>13,780,572</u>	<u>629,937</u>	<u>(52,317)</u>	<u>14,358,192</u>
Total capital assets being depreciated, net	<u>8,955,079</u>	<u>(179,622)</u>	<u>-</u>	<u>8,775,457</u>
Business-type activities capital assets, net	<u>\$ 11,155,289</u>	<u>\$ 375,559</u>	<u>\$ -</u>	<u>\$ 11,530,848</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	\$	187,626
Judicial		255,661
Public safety		178,665
Public works		442,161
Culture and recreation		<u>220,709</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,284,822</u>
Business-type Activities:		
Natural gas	\$	51,470
Water		129,859
Waste water		306,181
Solid waste		40,825
Landfill		<u>101,602</u>
Total Depreciation Expense - Business-type Activities	\$	<u>629,937</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, 2011 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>General</u>	<u>Non Major</u>	<u>Joint Enterprise</u>	<u>Total</u>
<u>Transfers in:</u>				
General	\$ -	\$ 370,733	\$ -	\$ 370,733
Joint Enterprise	-	25,000	687,262	712,262
Nonmajor	<u>678,601</u>	<u>629</u>	<u>-</u>	<u>679,230</u>
Total transfers out	678,601	396,362	687,262	1,762,225
Less transfers in	<u>(395,733)</u>	<u>(654,230)</u>	<u>(712,262)</u>	<u>(1,762,225)</u>
	<u>\$ 282,868</u>	<u>\$ (257,868)</u>	<u>\$ (25,000)</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 1st and November 1st. The loan matures on May 1, 2022.

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

Infrastructure Projects

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

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

NMFA Loans: (continued)

Fire Station Renovation Project

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

Landfill Scale House

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

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

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

Landfill Improvements

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

Wastewater Treatment Plant

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

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

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Wastewater Treatment Plant Improvements

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

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%	\$ 130,100

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>FYE June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	41,539	7,183	48,722
2013	43,837	4,893	48,730
2014	67,473	1,110	68,583
	<u>\$ 152,849</u>	<u>\$ 13,186</u>	<u>\$ 166,035</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, 2011 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	\$308,461	2022	3.554%	194,190
NMFA Loan	\$1,094,999	2021	3.387%	791,256
NMFA Loan	\$309,575	2021	2.392%	309,575
Total governmental activities				<u>\$ 1,295,021</u>
<u>Business-Type Activities</u>				
NMFA Loan -Landfill Loan	\$526,185	2022	4.248%	\$ 340,448
NMED Loan	\$2,320,915	2018	2.0%	949,547
NMED Loan	\$1,093,740	2029	3.588%	1,005,675
NMED Loan	\$75,075	2029	0.000%	71,321
Revenue Bonds	\$132,000	2050	2.625%	130,100
Total business-type activities				<u>\$ 2,497,091</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Governmental Activities			
Year Ending June 30,	Principal	Interest	Admin. Fee
Notes Payable:			
2012	112,050	42,097	2,471
2013	114,830	35,388	2,264
2014	117,848	32,590	2,049
2015	121,110	29,557	1,828
2016	124,670	26,232	1,482
2017-2021	686,308	72,029	3,338
2022	18,205	754	53
Total	<u>\$ 1,295,021</u>	<u>\$ 238,647</u>	<u>\$ 13,485</u>

Business-Type Activities			
Year Ending June 30,	Principal	Interest	Admin. Fee
Notes Payable:			
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	219,064	48,129	586
2017-2021	728,513	168,510	1,764
2022-2026	360,832	85,467	95
2027-2029	228,715	19,020	-
Total	<u>\$ 2,366,991</u>	<u>\$ 559,335</u>	<u>\$ 5,465</u>

Revenue Bonds Payable:

Year Ending June 30,	Principal	Interest	Admin. Fee
2012	1,900	3,549	-
2013	2,000	3,449	-
2014	2,000	3,449	-
2015	2,100	3,349	-
2016	2,100	3,349	-
2017-2021	11,600	15,645	-
2022-2026	13,200	14,145	-
2027-2031	15,100	12,545	-
2032-2036	17,000	10,245	-
2037-2041	19,500	7,745	-
2042-2046	17,400	4,396	-
2047-2050	26,200	2,396	-
Total	<u>\$ 130,100</u>	<u>\$ 84,262</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, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Loan Payable	\$ 1,066,089	\$ 309,575	\$ 80,643	\$ 1,295,021	\$ 83,094
Compensated absences	<u>177,863</u>	<u>184,831</u>	<u>163,640</u>	<u>199,054</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,243,952</u>	<u>\$ 494,406</u>	<u>\$ 244,283</u>	<u>\$ 1,494,075</u>	<u>\$ 83,094</u>
Business-type activities					
Capital Lease	\$ 192,248	\$ -	\$ 39,399	\$ 152,849	\$ 41,539
Loans Payable	2,564,120	-	197,129	2,366,991	201,036
Revenue Bonds Payable	132,000	-	1,900	130,100	1,900
Compensated Absences	<u>99,226</u>	<u>93,034</u>	<u>103,189</u>	<u>89,071</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 2,987,594</u>	<u>\$ 93,034</u>	<u>\$ 341,617</u>	<u>\$ 2,987,594</u>	<u>\$ 244,475</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 \$733,720 reported as landfill closure liability (includes: landfill closure, post closure care, phase I & phase II assessments and corrective action costs) at June 30, 2011, represents the cumulative amount reported to date based on management's estimates and on the area used by the landfill. Actual costs may differ due to inflation and changes in technology and regulations. It is estimated that the current site will be closed in 2012.

During the year ended June 30, 2011, the City received \$46,736 in environmental gross receipts tax for closure and post closure and post closure care costs as well as other solid waste issues. The City has reported restricted cash per the financials at June 30, 2011; \$348,575 of City imposed environmental gross receipts tax and service charge revenue to be used to satisfy the landfill closure and post closure care liability as well as other solid waste cost issues. The City has satisfied State determined financial assurance requirements for closure and post closure costs and related assessments through the State's analysis of the City's present financial stature. The City 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:

	<u>Enterprise Funds</u>
Meter deposits	\$ 90,417
Debt requirements	629,737
Debt proceeds	780,624
Land Closure and Solid Waste Reserve	348,575
Water Rights Acquisition Reserve	<u>15,050</u>
Total restricted assets	<u>\$ 1,864,403</u>

POST-EMPLOYMENT BENEFITS:

Retirement Plan

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

Funding Policy. Plan members are required to contribute a percentage of their gross salary. The City of Socorro is required to contribute 18.5% for law enforcement officers, 21.25% for fire protection workers and 9.15% for all other employees, of the gross covered salary. In addition to the state employer contribution percentages above, the City currently pays 75% of the required employee contributions of 13.15% for all regular employee members. The contribution requirements of plan members and the City of Socorro are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The City of Socorro's contributions to PERA for the years ending June 30, 2011, 2010 and 2009 were \$782,979, \$804,316, and \$797,407, 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.

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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute 0.833% of their salary. In the fiscal years ending June 30, 2012 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>
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>
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, 2011, 2010 and 2009 were \$71,274, \$52,169, \$51,134, 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, 2011 the City paid Best Western Hotel \$1,093 for facility rent and Bhasker Medical Clinic PC \$2,506 which is owned by Mayor Bhasker. For the year ending June 30, 2011 the City paid Monette Ford \$7,614 which is owned by Donald Monette, council member, Ernest Welding & Machine \$5,137 which is owned by Earnest Pargas, council member, Toby Jaramillo councilor's business \$225 and Hicks Paint and Body Shop \$704 which is owned by Gordy Hicks, council member.

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 and City are formalizing an agreement in which the City will pay EPA \$200,000 and indemnify the City from any future obligations.

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 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>2011 EXPENDITURES</u>	<u>EXPENDITURES TO DATE</u>	<u>PROJECT FUNDS OUTSTANDING</u>	<u>APPROPRIATION PERIOD</u>	
RODEO ARENA/CONV CENTER						
07LG5565	250,000	35,838	78,261	171,739	07/20/07-06/30/11	*
08LG4507	160,000	-	-	160,000	07/07/08-06/30/12	*
04062	186,714	-	-	-	11/02/10-06/30/12	
04063	158,400	-	-	-	11/02/10-06/30/12	
	<u>\$ 755,114.33</u>	<u>\$ 35,838</u>	<u>\$ 78,261</u>	<u>\$ 331,739</u>		

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

* Closed-reverted to State

(This page intentionally left blank)

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

CALIFORNIA STREET GRANT FUND – to account for ARRA funds for street improvements.

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

CAPITAL PROJECTS FUNDS

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 grants and 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 federal and state funding and 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.

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

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

DEBT SERVICE FUND

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

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue				
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund
ASSETS					
Cash	\$ 84,547	\$ 20,274	\$ 141,156	\$ 110,834	\$ -
Cash - restricted	-	-	-	-	-
Investments	-	-	-	-	-
Accounts receivable	-	-	11,104	13,613	-
Total assets	<u>\$ 84,547</u>	<u>\$ 20,274</u>	<u>\$ 152,260</u>	<u>\$ 124,447</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,231	\$ 3,169	\$ 2,603	\$ 1,811	\$ -
Deferred revenue	-	-	-	-	-
Total liabilities	<u>7,231</u>	<u>3,169</u>	<u>2,603</u>	<u>1,811</u>	<u>-</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Special revenue	77,316	17,105	149,657	122,636	-
Total fund balances	<u>77,316</u>	<u>17,105</u>	<u>149,657</u>	<u>122,636</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 84,547</u>	<u>\$ 20,274</u>	<u>\$ 152,260</u>	<u>\$ 124,447</u>	<u>\$ -</u>

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

Special Revenue

Law Enforcement Protection Fund	Correctional Fees Fund	E-911 Fund	Sedillo Park Renovations Fund	Library Fund	California Street Grant Fund	Total
\$ -	\$ 60,726	\$ -	\$ 37,304	\$ 21,227	\$ -	\$ 476,068
-	-	-	-	-	-	-
-	-	-	-	-	-	24,717
<u>\$ -</u>	<u>\$ 60,726</u>	<u>\$ -</u>	<u>\$ 37,304</u>	<u>\$ 21,227</u>	<u>\$ -</u>	<u>\$ 500,785</u>
\$ -	\$ -	\$ -	\$ -	\$ 203	\$ -	\$ 15,017
-	-	-	-	-	-	-
-	-	-	-	203	-	15,017
-	-	-	-	-	-	-
-	60,726	-	37,304	21,024	-	485,768
-	60,726	-	37,304	21,024	-	485,768
<u>\$ -</u>	<u>\$ 60,726</u>	<u>\$ -</u>	<u>\$ 37,304</u>	<u>\$ 21,227</u>	<u>\$ -</u>	<u>\$ 500,785</u>

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

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
JUNE 30, 2011

Capital Projects

ASSETS	<u>Plaza Park Renovations</u>	<u>Animal Control Shelter</u>	<u>Airport Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Rodeo Arena and Convention Center</u>	<u>Safe Routes Project</u>
Cash	\$ 17,173	\$ 1,546	\$ 17,756	\$ 17,302	\$ 31,395	\$ -
Cash - restricted	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	43,257	-	-
Total assets	<u>\$ 17,173</u>	<u>\$ 1,546</u>	<u>\$ 17,756</u>	<u>\$ 60,559</u>	<u>\$ 31,395</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 793	\$ -	\$ 535	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>793</u>	<u>-</u>	<u>535</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	-	-
Capital projects	16,380	1,546	17,221	60,559	31,395	-
Special revenue	-	-	-	-	-	-
Total fund balances	<u>16,380</u>	<u>1,546</u>	<u>17,221</u>	<u>60,559</u>	<u>31,395</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 17,173</u>	<u>\$ 1,546</u>	<u>\$ 17,756</u>	<u>\$ 60,559</u>	<u>\$ 31,395</u>	<u>\$ -</u>

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

<u>Capital Projects</u>			<u>Debt Service</u>	
<u>CDBG Cuba Rd Phase II</u>	<u>CDBG Cuba Rd Phase I</u>	<u>Total</u>	<u>Total</u>	<u>Nonmajor Governmental Funds</u>
\$ 15,986	\$ -	\$ 101,158	\$ -	\$ 577,226
-	-	-	159,837	159,837
-	-	-	130,816	130,816
-	-	43,257	-	67,974
<u>\$ 15,986</u>	<u>\$ -</u>	<u>\$ 144,415</u>	<u>\$ 290,653</u>	<u>\$ 935,853</u>
\$ 12,533	\$ -	\$ 13,861	\$ -	\$ 28,878
-	-	-	-	-
<u>12,533</u>	<u>-</u>	<u>13,861</u>	<u>-</u>	<u>28,878</u>
-	-	-	290,653	290,653
3,453	-	130,554	-	130,554
-	-	-	-	485,768
<u>3,453</u>	<u>-</u>	<u>130,554</u>	<u>290,653</u>	<u>906,975</u>
<u>\$ 15,986</u>	<u>\$ -</u>	<u>\$ 144,415</u>	<u>\$ 290,653</u>	<u>\$ 935,853</u>

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

**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, 2011**

	<u>Special Revenue</u>					
	<u>Fire Protection Fund</u>	<u>Recreation Fund</u>	<u>Lodgers Tax Fund</u>	<u>Lodgers Tax Promotional Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Law Enforcement Protection Fund</u>
REVENUES						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	153,682	187,247	-	-
Intergovernmental	177,478	-	10,606	-	96,000	30,200
Charges for services	-	24,830	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
State shared gross receipts tax	-	442	-	-	-	-
Other	-	7,705	-	10,871	-	-
Investment	109	-	-	-	-	-
Total revenues	<u>177,587</u>	<u>32,977</u>	<u>164,288</u>	<u>198,118</u>	<u>96,000</u>	<u>30,200</u>
EXPENDITURES						
Current operations:						
General government	-	-	-	-	-	-
Public safety	124,388	-	-	-	22,629	30,200
Culture and recreation	-	307,896	116,565	181,280	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fees and other	4,575	-	-	-	-	-
Capital outlay	<u>397,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,239</u>	<u>-</u>
Total expenditures	<u>526,274</u>	<u>307,896</u>	<u>116,565</u>	<u>181,280</u>	<u>158,868</u>	<u>30,200</u>
Excess (deficiency) of revenues over expenditures	(348,687)	(274,919)	47,723	16,838	(62,868)	-
Other financing sources (uses):						
Debt proceeds	309,575	-	-	-	-	-
Transfers in	-	240,000	-	-	62,868	-
Transfers out	-	-	(20,000)	-	-	-
Total other financing sources (uses)	<u>309,575</u>	<u>240,000</u>	<u>(20,000)</u>	<u>-</u>	<u>62,868</u>	<u>-</u>
Net change in fund balances	(39,112)	(34,919)	27,723	16,838	-	-
Fund balances, beginning of year	<u>116,428</u>	<u>52,024</u>	<u>121,934</u>	<u>105,798</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 77,316</u>	<u>\$ 17,105</u>	<u>\$ 149,657</u>	<u>\$ 122,636</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue

Correctional Fees Fund	E-911 Fund	Sedillo Park Renovations Fund	Library Fund	California Street Grant Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	340,929
-	180,084	-	553	271,233	766,154
-	-	28,529	150	-	53,509
48,826	-	-	-	-	48,826
-	-	-	-	-	442
-	-	-	1,313	-	19,889
-	-	-	-	-	109
<u>48,826</u>	<u>180,084</u>	<u>28,529</u>	<u>2,016</u>	<u>271,233</u>	<u>1,229,858</u>
-	-	-	-	-	-
50,350	180,084	-	-	-	407,651
-	-	19,192	1,844	-	626,777
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,575
21,288	-	-	-	271,233	826,071
<u>71,638</u>	<u>180,084</u>	<u>19,192</u>	<u>1,844</u>	<u>271,233</u>	<u>1,865,074</u>
(22,812)	-	9,337	172	-	(635,216)
-	-	-	-	-	309,575
-	-	-	-	-	302,868
-	-	-	-	(205,000)	(225,000)
-	-	-	-	(205,000)	387,443
(22,812)	-	9,337	172	(205,000)	(247,773)
83,538	-	27,967	20,852	205,000	733,541
<u>\$ 60,726</u>	<u>\$ -</u>	<u>\$ 37,304</u>	<u>\$ 21,024</u>	<u>\$ -</u>	<u>\$ 485,768</u>

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

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, 2011

	<u>Capital Projects</u>					
	<u>Plaza Park Renovations</u>	<u>Animal Control Shelter</u>	<u>Airport Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>Rodeo Arena and Convention Center</u>	<u>Safe Routes Project</u>
REVENUES						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	-	-	-	-
Intergovernmental	-	-	-	115,692	54,991	14,976
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
State shared gross receipts tax	-	-	-	-	-	-
Other	-	-	-	-	-	-
Investment	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,692</u>	<u>54,991</u>	<u>14,976</u>
EXPENDITURES						
Current operations:						
General government	12,077	6,140	14,869	-	2,197	4,563
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fees and other	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,631</u>	<u>33,641</u>	<u>-</u>
Total expenditures	<u>12,077</u>	<u>6,140</u>	<u>14,869</u>	<u>155,631</u>	<u>35,838</u>	<u>4,563</u>
Excess (deficiency) of revenues over expenditures	(12,077)	(6,140)	(14,869)	(39,939)	19,153	10,413
Other financing sources (uses):						
Debt proceeds	-	-	-	-	-	-
Transfers in	-	-	-	60,574	-	4,000
Transfers out	-	-	-	-	-	(14,976)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,574</u>	<u>-</u>	<u>(10,976)</u>
Net change in fund balances	(12,077)	(6,140)	(14,869)	20,635	19,153	(563)
Fund balances, beginning of year	<u>28,457</u>	<u>7,686</u>	<u>32,090</u>	<u>39,924</u>	<u>12,242</u>	<u>563</u>
Fund balances, end of year	<u>\$ 16,380</u>	<u>\$ 1,546</u>	<u>\$ 17,221</u>	<u>\$ 60,559</u>	<u>\$ 31,395</u>	<u>\$ -</u>

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

<u>Capital Projects</u>			<u>Debt Service</u>	
<u>CDBG Cuba Rd Phase II</u>	<u>CDBG Cuba Rd Phase I</u>	<u>Total</u>	<u>Total</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 117,327	\$ 117,327
-	-	-	-	340,929
-	150,166	335,825	-	1,101,979
-	-	-	-	53,509
-	-	-	-	48,826
-	-	-	-	442
-	-	-	-	19,889
-	-	-	242	351
<u>-</u>	<u>150,166</u>	<u>335,825</u>	<u>117,569</u>	<u>1,683,252</u>
-	7,500	47,346	-	47,346
-	-	-	-	407,651
-	-	-	-	626,777
-	-	-	80,643	80,643
-	-	-	33,824	33,824
-	-	-	2,664	7,239
<u>59,547</u>	<u>151,173</u>	<u>399,992</u>	<u>-</u>	<u>1,226,063</u>
<u>59,547</u>	<u>158,673</u>	<u>447,338</u>	<u>117,131</u>	<u>2,429,543</u>
(59,547)	(8,507)	(111,513)	438	(746,291)
-	-	-	-	309,575
63,000	3,812	131,386	219,976	654,230
<u>-</u>	<u>-</u>	<u>(14,976)</u>	<u>(156,386)</u>	<u>(396,362)</u>
<u>63,000</u>	<u>3,812</u>	<u>116,410</u>	<u>63,590</u>	<u>567,443</u>
3,453	(4,695)	4,897	64,028	(178,848)
<u>-</u>	<u>4,695</u>	<u>125,657</u>	<u>226,625</u>	<u>1,085,823</u>
<u>\$ 3,453</u>	<u>\$ -</u>	<u>\$ 130,554</u>	<u>\$ 290,653</u>	<u>\$ 906,975</u>

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

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 182,077	\$ 182,077	\$ 177,478	\$(4,599)
Investment income	<u>-</u>	<u>-</u>	<u>109</u>	<u>109</u>
Total revenues	<u>182,077</u>	<u>182,077</u>	<u>177,587</u>	<u>(4,490)</u>
EXPENDITURES				
Current operations:				
Public Safety	103,770	114,000	118,102	(4,102)
Fees and other	-	-	4,575	(4,575)
Capital Outlay	<u>133,953</u>	<u>490,425</u>	<u>397,311</u>	<u>93,114</u>
Total expenditures	<u>237,723</u>	<u>604,425</u>	<u>519,988</u>	<u>84,437</u>
Excess (deficiency) of revenues over expenditures	<u>(55,646)</u>	<u>(422,348)</u>	<u>(342,401)</u>	<u>79,947</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	<u>309,575</u>	<u>309,575</u>	<u>309,575</u>	<u>-</u>
Net change in fund balances	<u>\$ 253,929</u>	<u>\$(112,773)</u>	<u>\$(32,826)</u>	<u>\$ 79,947</u>
 Beginning cash balance	 <u>\$ 117,373</u>	 <u>\$ 117,373</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(32,826)	
Change in payables			<u>(6,286)</u>	
Net change in fund balances GAAP basis			<u>\$(39,112)</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
State shared gross receipts tax	\$ -	\$ -	\$ 442	\$ 442
Charges for services	52,800	52,800	25,155	(27,645)
Other	<u>16,200</u>	<u>16,200</u>	<u>7,705</u>	<u>(8,495)</u>
Total revenues	<u>69,000</u>	<u>69,000</u>	<u>33,302</u>	<u>(35,698)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>347,882</u>	<u>347,882</u>	<u>307,734</u>	<u>40,148</u>
Total expenditures	<u>347,882</u>	<u>347,882</u>	<u>307,734</u>	<u>40,148</u>
Excess (deficiency) of revenues over expenditures	<u>(278,882)</u>	<u>(278,882)</u>	<u>(274,432)</u>	<u>4,450</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>278,882</u>	<u>278,882</u>	<u>240,000</u>	<u>(38,882)</u>
Total other financing sources (uses)	<u>278,882</u>	<u>278,882</u>	<u>240,000</u>	<u>(38,882)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$(34,432)</u>	<u>\$(34,432)</u>
Beginning cash balance	<u>\$ 54,706</u>	<u>\$ 54,706</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(34,432)	
Change in receivables			(325)	
Change in payables			<u>(162)</u>	
Net change in fund balances GAAP basis			<u>\$(34,919)</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
LODGERS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodgers' tax	\$ 147,750	\$ 147,750	\$ 157,066	\$ 9,316
State grants	<u>-</u>	<u>-</u>	<u>10,606</u>	<u>10,606</u>
Total revenues	<u>147,750</u>	<u>147,750</u>	<u>167,672</u>	<u>19,922</u>
EXPENDITURES				
Current operations:				
Culture and recreation	124,750	124,750	115,773	8,977
Capital Outlay	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>127,750</u>	<u>127,750</u>	<u>115,773</u>	<u>11,977</u>
Excess (deficiency) of revenues over expenditures	<u>20,000</u>	<u>20,000</u>	<u>51,899</u>	<u>31,899</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,899</u>	<u>\$ 31,899</u>
Beginning cash balance	<u>\$ 110,016</u>	<u>\$ 110,016</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 31,899	
Change in receivables			(3,384)	
Change in payables			<u>(792)</u>	
Net change in fund balances GAAP basis			<u>\$ 27,723</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
LODGERS TAX PROMOTIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodgers' tax	\$ 180,000	\$ 180,000	\$ 187,299	\$ 7,299
Other	14,250	14,250	10,871	(3,379)
Total revenues	<u>194,250</u>	<u>194,250</u>	<u>198,170</u>	<u>3,920</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>194,500</u>	<u>194,500</u>	<u>181,280</u>	<u>13,220</u>
Total expenditures	<u>194,500</u>	<u>194,500</u>	<u>181,280</u>	<u>13,220</u>
Excess (deficiency) of revenues over expenditures	(250)	(250)	<u>16,890</u>	<u>17,140</u>
Net change in fund balances	<u>\$(250)</u>	<u>\$(250)</u>	<u>\$ 16,890</u>	<u>\$ 17,140</u>
Beginning cash balance	<u>\$ 88,777</u>	<u>\$ 88,777</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 16,890	
Change in receivables			(52)	
Net change in fund balances GAAP basis			<u>\$ 16,838</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
State grants	\$ 20,000	\$ 96,000	\$ 96,000	\$ -
Total revenues	<u>20,000</u>	<u>96,000</u>	<u>96,000</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public Safety	20,000	20,000	22,629	(2,629)
Capital Outlay	<u>-</u>	<u>156,000</u>	<u>136,239</u>	<u>19,761</u>
Total expenditures	<u>20,000</u>	<u>176,000</u>	<u>158,868</u>	<u>17,132</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(80,000)</u>	<u>(62,868)</u>	<u>17,132</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>80,000</u>	<u>62,868</u>	<u>17,132</u>
Total other financing sources (uses)	<u>-</u>	<u>80,000</u>	<u>62,868</u>	<u>17,132</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
State grants	\$ 30,200	\$ 30,200	\$ 30,200	\$ -
Total revenues	<u>30,200</u>	<u>30,200</u>	<u>30,200</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public Safety	-	-	30,200	(30,200)
Capital Outlay	<u>30,200</u>	<u>30,200</u>	<u>-</u>	<u>30,200</u>
Total expenditures	<u>30,200</u>	<u>30,200</u>	<u>30,200</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
CORRECTIONAL FEES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ <u>50,000</u>	\$ <u>50,000</u>	\$ <u>48,826</u>	\$(<u>1,174</u>)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>48,826</u>	<u>(1,174)</u>
EXPENDITURES				
Current operations:				
Public Safety	40,000	52,000	50,350	1,650
Capital Outlay	<u>-</u>	<u>21,300</u>	<u>21,288</u>	<u>12</u>
Total expenditures	<u>40,000</u>	<u>73,300</u>	<u>71,638</u>	<u>1,662</u>
Excess (deficiency) of revenues over expenditures	<u>10,000</u>	<u>(23,300)</u>	<u>(22,812)</u>	<u>488</u>
Net change in fund balances	<u>\$ 10,000</u>	<u>\$(23,300)</u>	<u>\$(22,812)</u>	<u>\$ 488</u>
Beginning cash balance	<u>\$ 83,538</u>	<u>\$ 83,538</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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ -	\$ 180,084	\$ 180,084	\$ -
Total revenues	<u>-</u>	<u>180,084</u>	<u>180,084</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public safety	<u>-</u>	<u>180,084</u>	<u>\$ 180,084</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>180,084</u>	<u>180,084</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ <u>16,500</u>	\$ <u>16,500</u>	\$ <u>28,529</u>	\$ <u>12,029</u>
Total revenues	<u>16,500</u>	<u>16,500</u>	<u>28,529</u>	<u>12,029</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>27,967</u>	<u>27,967</u>	<u>19,192</u>	<u>8,775</u>
Total expenditures	<u>27,967</u>	<u>27,967</u>	<u>19,192</u>	<u>8,775</u>
Excess (deficiency) of revenues over expenditures	<u>(11,467)</u>	<u>(11,467)</u>	<u>9,337</u>	<u>20,804</u>
Net change in fund balances	\$(<u>11,467</u>)	\$(<u>11,467</u>)	\$ <u>9,337</u>	\$ <u>20,804</u>
Beginning cash balance	\$ <u>27,967</u>	\$ <u>27,967</u>		

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 750	\$ 750	\$ 553	\$(197)
Charges for services	400	400	150	(250)
Other	2,600	2,600	1,313	(1,287)
Total revenues	<u>3,750</u>	<u>3,750</u>	<u>2,016</u>	<u>(1,734)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>23,595</u>	<u>23,595</u>	<u>1,844</u>	<u>21,751</u>
Total expenditures	<u>23,595</u>	<u>23,595</u>	<u>1,844</u>	<u>21,751</u>
Excess (deficiency) of revenues over expenditures	<u>(19,845)</u>	<u>(19,845)</u>	<u>172</u>	<u>20,017</u>
Net change in fund balances	<u>\$(19,845)</u>	<u>\$(19,845)</u>	<u>\$ 172</u>	<u>\$ 20,017</u>
Beginning cash balance	<u>\$ 21,055</u>	<u>\$ 21,055</u>		

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

**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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grant	\$ 864,000	\$ 864,000	\$ 618,953	\$(245,047)
Total revenues	<u>864,000</u>	<u>864,000</u>	<u>618,953</u>	<u>(245,047)</u>
EXPENDITURES				
Current operations:				
Capital Outlay	<u>659,955</u>	<u>659,955</u>	<u>414,908</u>	<u>245,047</u>
Total expenditures	<u>659,955</u>	<u>659,955</u>	<u>414,908</u>	<u>245,047</u>
Excess (deficiency) of revenues over expenditures	<u>204,045</u>	<u>204,045</u>	<u>204,045</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(205,000)</u>	<u>(205,000)</u>	<u>(205,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(205,000)</u>	<u>(205,000)</u>	<u>(205,000)</u>	<u>-</u>
Net change in fund balances	<u>\$(955)</u>	<u>\$(955)</u>	<u>\$(955)</u>	<u>\$ -</u>
Beginning cash & investments balance	<u>\$ 955</u>	<u>\$ 955</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(955)	
Change in receivables			(347,720)	
Change in payables			<u>143,675</u>	
Net change in fund balances GAAP basis			<u>\$(205,000)</u>	

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

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current operations:				
General government	\$ <u>12,331</u>	\$ <u>12,331</u>	\$ <u>12,077</u>	\$ <u>254</u>
 Total expenditures	<u>12,331</u>	<u>12,331</u>	<u>12,077</u>	<u>254</u>
Excess (deficiency) of revenues over expenditures	<u>(12,331)</u>	<u>(12,331)</u>	<u>(12,077)</u>	<u>254</u>
Net change in fund balances	<u>\$(12,331)</u>	<u>\$(12,331)</u>	<u>\$(12,077)</u>	<u>\$ 254</u>
Beginning cash & investments balance	<u>\$ 29,250</u>	<u>\$ 29,250</u>		

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

**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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current operations:				
General government	\$ <u>7,686</u>	\$ <u>7,686</u>	\$ <u>6,140</u>	\$ <u>1,546</u>
Total expenditures	<u>7,686</u>	<u>7,686</u>	<u>6,140</u>	<u>1,546</u>
Excess (deficiency) of revenues over expenditures	<u>(7,686)</u>	<u>(7,686)</u>	<u>(6,140)</u>	<u>1,546</u>
Net change in fund balances	<u>\$(7,686)</u>	<u>\$(7,686)</u>	<u>\$(6,140)</u>	<u>\$ 1,546</u>
Beginning cash balance	<u>\$ 7,686</u>	<u>\$ 7,686</u>		

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
AIRPORT IMPROVEMENTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Federal grants	\$ <u>29,799</u>	\$ <u>29,799</u>	\$ <u>-</u>	\$(<u>29,799</u>)
Total revenues	<u>29,799</u>	<u>29,799</u>	<u>-</u>	<u>(29,799)</u>
EXPENDITURES				
Current operations:				
General government	<u>33,895</u>	<u>33,895</u>	<u>14,869</u>	<u>19,026</u>
Total expenditures	<u>33,895</u>	<u>33,895</u>	<u>14,869</u>	<u>19,026</u>
Excess (deficiency) of revenues over expenditures	<u>(4,096)</u>	<u>(4,096)</u>	<u>(14,869)</u>	<u>(10,773)</u>
Net change in fund balances	<u>\$(4,096)</u>	<u>\$(4,096)</u>	<u>\$(14,869)</u>	<u>\$(10,773)</u>
Beginning cash balance	<u>\$ 32,625</u>	<u>\$ 32,625</u>		

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

**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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ <u>45,488</u>	\$ <u>94,688</u>	\$ <u>72,435</u>	\$(<u>22,253</u>)
Total revenues	<u>45,488</u>	<u>94,688</u>	<u>72,435</u>	(<u>22,253</u>)
EXPENDITURES				
Current operations:				
General government	77,333	196,641	-	196,641
Capital Outlay	<u>-</u>	<u>-</u>	<u>155,631</u>	(<u>155,631</u>)
Total expenditures	<u>77,333</u>	<u>196,641</u>	<u>155,631</u>	<u>41,010</u>
Excess (deficiency) of revenues over expenditures	(<u>31,845</u>)	(<u>101,953</u>)	(<u>83,196</u>)	<u>18,757</u>
OTHER FINANCING SOURCES (USES)				
Transfers in & (out)	<u>15,153</u>	<u>60,574</u>	<u>60,574</u>	<u>-</u>
Total other financing sources (uses)	<u>15,153</u>	<u>60,574</u>	<u>60,574</u>	<u>-</u>
Net change in fund balances	\$(<u>16,692</u>)	\$(<u>41,379</u>)	\$(<u>22,622</u>)	\$ <u>18,757</u>
Beginning cash balance	\$ <u>39,924</u>	\$ <u>39,924</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(<u>22,622</u>)	
Change in receivables			<u>43,257</u>	
Net change in fund balances GAAP basis			\$ <u>20,635</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
RODEO ARENA AND CONVENTION CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ -	\$ 400,106	\$ 54,991	\$(345,115)
Total revenues	<u>-</u>	<u>400,106</u>	<u>54,991</u>	<u>(345,115)</u>
EXPENDITURES				
Current operations:				
General government	-	-	2,197	(2,197)
Capital Outlay	<u>-</u>	<u>400,106</u>	<u>33,641</u>	<u>366,465</u>
Total expenditures	<u>-</u>	<u>400,106</u>	<u>35,838</u>	<u>364,268</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>19,153</u>	<u>19,153</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,153</u>	<u>\$ 19,153</u>
Beginning cash balance	<u>\$ 12,242</u>	<u>\$ 12,242</u>		

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

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 15,000	\$ 15,000	\$ 14,976	\$(24)
Total revenues	15,000	15,000	14,976	(24)
EXPENDITURES				
Current operations:				
General government	<u>4,563</u>	<u>4,563</u>	<u>4,563</u>	<u>-</u>
Total expenditures	<u>4,563</u>	<u>4,563</u>	<u>4,563</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>10,437</u>	<u>10,437</u>	<u>10,413</u>	<u>24</u>
OTHER FINANCING SOURCES (USES)				
Transfers in and out	(11,000)	(11,000)	(10,976)	24
Total other financing sources (uses)	(11,000)	(11,000)	(10,976)	24
Net change in fund balances	<u>\$(563)</u>	<u>\$(563)</u>	<u>\$(563)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 563</u>	<u>\$ 563</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(563)	
Change in accounts receivable			(10,437)	
Change in deferred revenue			<u>10,437</u>	
Net change in fund balances GAAP basis			<u>\$(563)</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
CDBG CUBA ROAD PHASE II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current operations:				
Capital Outlay	<u>-</u>	<u>62,407</u>	<u>47,014</u>	<u>15,393</u>
Total expenditures	<u>-</u>	<u>62,407</u>	<u>47,014</u>	<u>15,393</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(62,407)</u>	<u>(47,014)</u>	<u>15,393</u>
OTHER FINANCING SOURCES (USES)				
Transfers in and out	<u>-</u>	<u>62,407</u>	<u>63,000</u>	<u>593</u>
Total other financing sources (uses)	<u>-</u>	<u>62,407</u>	<u>63,000</u>	<u>593</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,986</u>	<u>\$ 15,986</u>
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 15,986	
Change in accounts payable			<u>(12,533)</u>	
Net change in fund balances GAAP basis			<u>\$ 3,453</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
CDBG CUBA ROAD PHASE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grants	\$ 455,000	\$ 455,000	\$ 150,166	\$(304,834)
Total revenues	<u>455,000</u>	<u>455,000</u>	<u>150,166</u>	<u>(304,834)</u>
EXPENDITURES				
Current operations:				
General government	-	-	7,500	(7,500)
Capital Outlay	<u>459,695</u>	<u>459,695</u>	<u>151,173</u>	<u>308,522</u>
Total expenditures	<u>459,695</u>	<u>459,695</u>	<u>158,673</u>	<u>301,022</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>3,812</u>	<u>3,812</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>3,812</u>	<u>3,812</u>	<u>-</u>
Net change in fund balances	<u>\$(4,695)</u>	<u>\$(4,695)</u>	<u>\$(4,695)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 4,695</u>	<u>\$ 4,695</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(4,695)	
Change in receivables			(304,834)	
Change in payables			<u>304,834</u>	
Net change in fund balances GAAP basis			<u>\$(4,695)</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
DEBT SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Gross receipts tax	\$ 117,327	\$ 117,327	\$ 117,327	\$ -
Investment	660	660	242	(418)
Total revenues	<u>117,987</u>	<u>117,987</u>	<u>117,569</u>	<u>(418)</u>
EXPENDITURES				
Debt service:				
Principal	118,752	118,752	80,643	38,109
Interest	-	-	33,824	(33,824)
Fees and other	-	-	2,664	(2,664)
Total expenditures	<u>118,752</u>	<u>118,752</u>	<u>117,131</u>	<u>1,621</u>
Excess (deficiency) of revenues over expenditures	<u>(765)</u>	<u>(765)</u>	<u>438</u>	<u>1,203</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	316,000	316,000	219,976	(96,024)
Transfers out	(15,153)	(251,433)	(156,386)	95,047
Total other financing sources (uses)	<u>300,847</u>	<u>64,567</u>	<u>63,590</u>	<u>(977)</u>
Net change in fund balances	<u>\$ 300,082</u>	<u>\$ 63,802</u>	<u>\$ 64,028</u>	<u>\$ 226</u>
Beginning cash and investment balances	<u>\$ 226,625</u>	<u>\$ 226,625</u>		

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

(This page intentionally left blank)

**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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Operating Revenues:				
Charges for services	\$ 6,749,500	\$ 6,749,500	\$ 6,149,135	\$(600,365)
Connection charges	65,000	65,000	37,888	(27,112)
Other revenue	<u>7,000</u>	<u>7,000</u>	<u>13,318</u>	<u>6,318</u>
Total operating revenues	<u>6,821,500</u>	<u>6,821,500</u>	<u>6,200,341</u>	<u>(621,159)</u>
Operating Expenses:				
Natural gas purchases	1,400,000	1,400,000	1,207,433	192,567
Salaries	2,302,593	2,219,093	1,561,279	657,814
Benefits	-	-	571,818	(571,818)
Other operating expense	3,068,669	2,706,985	2,197,390	509,595
Payment in lieu of taxes	<u>232,504</u>	<u>235,504</u>	<u>252,159</u>	<u>(16,655)</u>
Total operating expenses excluding non-budgeted expenses	<u>7,003,766</u>	<u>6,561,582</u>	<u>5,790,079</u>	<u>771,503</u>
Net operating income excluding non-budgeted expenses	<u>(182,266)</u>	<u>259,918</u>	<u>410,262</u>	<u>150,344</u>
Non-operating income (deductions):				
Taxes	79,750	79,750	86,486	6,736
Interest income	1,332	8,332	1,677	(6,655)
Interest expense	-	-	(82,495)	(82,495)
Principal expense	-	-	-	-
Transfers in (out) from other funds	25,000	25,000	25,000	-
Capital grants	<u>176,431</u>	<u>5,056,998</u>	<u>174,377</u>	<u>(4,882,621)</u>
Total non-operating income (deductions)	<u>282,513</u>	<u>5,170,080</u>	<u>205,045</u>	<u>(4,965,035)</u>
Net income (loss), excluding non-budgeted expenses	<u>100,247</u>	<u>5,429,998</u>	<u>615,307</u>	<u>(4,814,691)</u>
Less non-budgeted expenses:				
Depreciation	<u>-</u>	<u>-</u>	<u>629,937</u>	<u>(629,937)</u>
Total non-budgeted expenses	<u>-</u>	<u>-</u>	<u>629,937</u>	<u>(629,937)</u>
Net income (loss)	<u>\$ 100,247</u>	<u>\$ 5,429,998</u>	<u>\$(14,630)</u>	<u>\$(5,444,628)</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
DEPARTMENTAL
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Natural Gas</u>	<u>Water</u>	<u>Waste Water</u>
Operating Revenues:			
Charges for services	\$ 2,338,832	\$ 1,457,139	\$ 1,138,912
Connection charges	14,031	13,953	9,904
Other revenue	2,843	7,145	3,330
Total operating revenues	<u>2,355,706</u>	<u>1,478,237</u>	<u>1,152,146</u>
Operating Expenses:			
Natural gas purchases	1,207,433	-	-
Salaries	442,126	335,706	302,914
Benefits	121,016	131,205	126,364
Other operating expense	392,185	616,463	607,630
Depreciation	51,470	129,859	306,181
Payment in lieu of taxes	124,223	71,412	56,524
Total operating expenses	<u>2,338,453</u>	<u>1,284,645</u>	<u>1,399,613</u>
Operating income (loss)	17,253	193,592	(247,467)
Non-operating income (deductions):			
Taxes			
Interest income			
Interest expense			
Transfers in (out) from other funds			
Capital grants			
Total non-operating income (deductions)			
Net income (loss)			
Net assets, beginning of year			
Net assets, end of year			

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

<u>Solid Waste</u>	<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
\$ 881,268	\$ 308,114	\$ 24,870	\$ 6,149,135
-	-	-	37,888
-	-	-	13,318
<u>881,268</u>	<u>308,114</u>	<u>24,870</u>	<u>6,200,341</u>
-	-	-	1,207,433
178,468	241,088	60,977	1,561,279
71,782	98,610	22,841	571,818
150,151	424,561	6,400	2,197,390
40,825	101,602	-	629,937
-	-	-	252,159
<u>441,226</u>	<u>865,861</u>	<u>90,218</u>	<u>6,420,016</u>
440,042	(557,747)	(65,348)	(219,675)
			86,486
			1,677
			(82,495)
			25,000
			<u>174,377</u>
			<u>205,045</u>
			(14,630)
			<u>10,702,854</u>
			<u>\$ 10,688,224</u>

(Continued)

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

(This page intentionally left blank)

FEDERAL COMPLIANCE AND FINDINGS

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2011**

<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	\$ 150,166
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation California Street Project	20.205	ARRA ES 11250	271,233
U.S. Department of Agriculture Rural Development Pass Through - New Mexico Environmental Department Waste Water System Improvement Project	66.458	ARRA CWSRF 14	170,601
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation Safe Routes to School	20.999	SRSF-7700(155)	14,976
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation Rural Transportation Grant	20.509	NM86X001024	68,975
Total Federal Financial Awards Expenditures			<u>\$ 675,951</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 comparison 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, 2011, and have issued our report thereon dated November 29, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness, 2011-1.

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 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
November 29, 2011



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, 2011. 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, 2011.

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
November 29, 2011

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Socorro.
2. One material weakness and one significant deficiency in internal control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance 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:
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-resolved
- 2010-1 Budget Deficit in Excess of Cash-repeat
- 2009-1 Sale of Equipment-resolved

Current Year

- 2010-1 Budget Deficit in Excess of Cash – significant deficiency
- 2011-1 Overpayment to Contractors – material weakness

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2010 – 1 Budget Deficit in Excess of Cash:
(significant deficiency)

Condition: The City’s final approved budget for the Street Improvement Fund included a deficit that exceeded the beginning cash balances in the amount of \$1,455.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2011 – 1	Overpayment to Contractors: (material weakness)
Condition:	The City's overpaid two contractors in the amount of \$45,257 which exceeded their original contract for services.
Criteria:	Section 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors relating to financial matters.
Effect:	Improper oversight of the accounting functions could cause duplicate payments and/or overpayments to vendors which will result in improper use of public resources.
Cause:	The City made several changes in accounting personnel during the year.
Recommendation:	The City should implement procedures for all payments to vendors to ensure that all errors can be detected and corrected in a timely manner.
Response:	Management contacted the contractors immediately and one of the refunds for \$43,257 was received in October 2011. The City agrees and has implemented additional procedures for all payments to vendors.

**STATE OF NEW MEXICO
CITY OF SOCORRO
OTHER DISCLOSURES
JUNE 30, 2011**

EXIT CONFERENCE

An exit conference was held on November 29, 2011 by Cindy James, CPA of Pattillo, Brown & Hill, L.L.P. with Ravi Bhasker, Mayor, Patrick Salome, Jr, Clerk, Donald Monette, Mayor Pro-Tem, Peter Romero, 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.