

**STATE OF NEW MEXICO
CITY OF SOCORRO
AUDIT REPORT
JUNE 30, 2014**

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2014**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2014**

FUNCTION OF THE ENTITY

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

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

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**STATE OF NEW MEXICO
CITY OF SOCORRO
JUNE 30, 2014**

OFFICIAL ROSTER

<u>Name</u>	<u>Title</u>
Ravi Bhasker	Mayor
Gordon Hicks	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
Donald Monette	Councilor
Patrick Salome, Jr	Clerk
Mable Gonzales	Finance Director
Frances Cases	Municipal Judge

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FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Socorro, New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Socorro, New Mexico, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the City as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

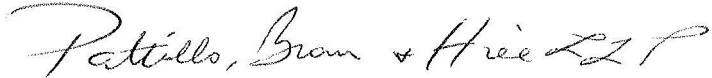
Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule of expenditures of federal awards, as required by Office of Management and Budget circular A-133, *Audits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

The additional schedules listed as "Other Supplementary Information" in the table of contents are presented for purposes of additional analysis and are no a required part of the basic financial statements.

The schedule of Expenditures of federal awards and other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



Pattillo, Brown and Hill, LLP
Albuquerque, New Mexico
November 24, 2014

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 283,442	\$ 18,863	\$ 302,305
Investments	955,031	-	955,031
Receivables (net of allowances for uncollectibles)	543,795	1,326,132	1,869,927
Internal balances	296,073	(296,073)	-
Inventory	18,259	68,410	86,669
Total current assets	<u>2,096,600</u>	<u>1,117,332</u>	<u>3,213,932</u>
Other assets:			
Restricted cash and investments	<u>641,552</u>	<u>1,083,065</u>	<u>1,724,617</u>
Total other assets	<u>641,552</u>	<u>1,083,065</u>	<u>1,724,617</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	301,819	337,961	639,780
Capital assets being depreciated	28,992,276	33,892,091	62,884,367
Less: accumulated depreciation	<u>(13,119,166)</u>	<u>(17,394,997)</u>	<u>(30,514,163)</u>
Total capital assets	<u>16,174,929</u>	<u>16,835,055</u>	<u>33,009,984</u>
Total noncurrent assets	<u>16,174,929</u>	<u>16,835,055</u>	<u>33,009,984</u>
Total assets	<u>18,913,081</u>	<u>19,035,452</u>	<u>37,948,533</u>
Deferred outflows of resources:			
Unavailable grant revenue	67,289	-	67,289
Real estate contract - land sale	182,114	344,431	526,545
Bond premium & loan fees	12,812	67,569	80,381
Total deferred outflows of resources	<u>262,215</u>	<u>412,000</u>	<u>674,215</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	\$ 190,130	\$ 90,679	\$ 280,809
Accrued payroll expenses	31,610	-	31,610
Accrued interest payable	6,294	30,467	36,761
Capital leases payable - current	-	75,245	75,245
Current portion long term debt	<u>169,087</u>	<u>262,400</u>	<u>431,487</u>
Total current liabilities	<u>397,121</u>	<u>458,791</u>	<u>855,912</u>
Noncurrent liabilities:			
Meter deposits	-	84,023	84,023
Compensated absences	217,676	105,258	322,934
Landfill closure and post closing liability	-	758,689	758,689
Capital leases payable	-	348,026	348,026
Bonds and loans payable less current portion	<u>2,234,866</u>	<u>3,560,759</u>	<u>5,795,625</u>
Total noncurrent liabilities	<u>2,452,542</u>	<u>4,856,755</u>	<u>7,309,297</u>
Total liabilities	<u>2,849,663</u>	<u>5,315,546</u>	<u>8,165,209</u>
Deferred inflows of resources:			
Real estate contract deferred gain	<u>176,116</u>	<u>159,692</u>	<u>335,808</u>
NET POSITION			
Net investmet in capital assets	13,764,682	12,558,158	26,322,840
Restricted for:			
Debt service	250,965	1,083,065	1,334,030
Capital projects	335,388	-	335,388
Unrestricted	<u>1,798,482</u>	<u>330,991</u>	<u>2,129,473</u>
Total net position	<u>\$ 16,149,517</u>	<u>\$ 13,972,214</u>	<u>\$ 30,121,731</u>

**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<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	\$ 1,723,168	\$ 681,836	\$ 570,662	\$ -
Judicial	158,749	89,784	-	-
Public safety	3,587,477	405,430	466,167	175,961
Public works	1,556,657	-	-	349,200
Culture and recreation	2,050,489	61,500	171,670	540,190
Interest and fees on long-term debt	64,199	-	-	-
Total governmental activities	<u>9,140,739</u>	<u>1,238,550</u>	<u>1,208,499</u>	<u>1,065,351</u>
Business-type activities:				
Natural gas	\$ 3,224,350	\$ 3,370,217	\$ -	\$ -
Water	1,836,849	1,632,520	-	82,565
Waste water	1,573,005	1,312,782	-	-
Solid waste	488,798	947,266	-	-
Landfill	1,095,179	344,400	-	-
Recycling	77,369	25,759	-	-
Total business-type activities	<u>8,295,550</u>	<u>7,632,944</u>	<u>-</u>	<u>82,565</u>
Total primary government	<u>\$ 17,436,289</u>	<u>\$ 8,871,494</u>	<u>\$ 1,208,499</u>	<u>\$ 1,147,916</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 State shared

 Sales

 Lodgers'

 Franchise

Investment earnings

Miscellaneous

Gain on disposition of assets

Transfers

 Total general revenues, special items, and transfers

 Change in net position

Net position, beginning of year

Net position, ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(470,670)	\$ -	\$(470,670)
(68,965)	-	(68,965)
(2,539,919)	-	(2,539,919)
(1,207,457)	-	(1,207,457)
(1,277,129)	-	(1,277,129)
(64,199)	-	(64,199)
<u>(5,628,339)</u>	<u>-</u>	<u>(5,628,339)</u>
\$ -	\$ 145,867	\$ 145,867
-	(121,764)	(121,764)
-	(260,223)	(260,223)
-	458,468	458,468
-	(750,779)	(750,779)
<u>-</u>	<u>(51,610)</u>	<u>(51,610)</u>
<u>-</u>	<u>(580,041)</u>	<u>(580,041)</u>
<u>(5,628,339)</u>	<u>(580,041)</u>	<u>(6,208,380)</u>
576,155	-	576,155
262,672	92,389	355,061
3,961,366	-	3,961,366
376,939	-	376,939
188,551	-	188,551
11,665	22,830	34,495
155,244	-	155,244
85,257	-	85,257
29,566	(29,566)	-
<u>5,647,415</u>	<u>85,653</u>	<u>5,733,068</u>
<u>19,076</u>	<u>(494,388)</u>	<u>(475,312)</u>
<u>16,130,441</u>	<u>14,466,602</u>	<u>30,597,043</u>
<u>\$ 16,149,517</u>	<u>\$ 13,972,214</u>	<u>\$ 30,121,731</u>

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**STATE OF NEW MEXICO
CITY OF SOCORRO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS	General	Rodeo Arena and Convention Center	Other Governmental Funds	Total Governmental Funds
Cash	\$ 84,702	\$ 1,624	\$ 197,116	\$ 283,442
Cash - restricted	-	377,194	264,358	641,552
Investments	570,788	-	384,243	955,031
Accounts receivable (net of allowance)	499,294	-	44,501	543,795
Inventory	18,259	-	-	18,259
Due from other funds	343,073	-	-	343,073
Total assets	1,516,116	378,818	890,218	2,785,152
Deferred outflows of resources:				
Unavailable grant revenue	-	-	67,289	67,289
Real estate contract - land sale	182,114	-	-	182,114
Total deferred outflow of resources	182,114	-	67,289	249,403
Total assets and deferred outflows of resources	\$ 1,698,230	\$ 378,818	\$ 957,507	\$ 3,034,555
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 68,123	\$ 87,944	\$ 34,063	\$ 190,130
Accrued payroll expenses	31,610	-	-	31,610
Due to other funds	47,000	-	-	47,000
Total liabilities	146,733	87,944	34,063	268,740
Deferred inflows of resources:				
Deferred revenue - land sale	182,114	-	-	182,114
 Fund balances:				
Non-spendable:				
Inventory and real estate contract	200,373	-	-	200,373
Restricted for:				
Debt service	-	-	250,965	250,965
Capital projects	-	290,874	44,514	335,388
Special revenue	-	-	627,965	627,965
Unassigned	1,169,010	-	-	1,169,010
Total fund balances	1,369,383	290,874	923,444	2,583,701
Total liabilities, deferred inflows of resources and fund balances	\$ 1,698,230	\$ 378,818	\$ 957,507	

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

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

(2,609,113)

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

16,174,929

Net position of governmental activities

\$ 16,149,517

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

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STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Rodeo Arena and Convention Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Gross receipts tax	\$ 2,043,219	\$ -	\$ 117,327	\$ 2,160,546
Property taxes	576,155	-	-	576,155
Lodgers' tax	-	-	376,939	376,939
Other state shared taxes	262,672	-	-	262,672
Franchise tax	188,551	-	-	188,551
Licenses and permits	29,104	-	-	29,104
Intergovernmental:				
Federal grants	247,545	-	711,158	958,703
State grants	467,669	175,961	671,517	1,315,147
Charges for services	1,087,266	-	61,500	1,148,766
Fines and forfeitures	68,805	-	20,979	89,784
State shared gross receipts tax	1,800,820	-	-	1,800,820
Other	106,985	-	19,155	126,140
Investment	9,586	1,250	829	11,665
Total revenues	<u>6,888,377</u>	<u>177,211</u>	<u>1,979,404</u>	<u>9,044,992</u>
EXPENDITURES				
Current operations:				
General government	1,553,339	1,842	86	1,555,267
Judicial	140,550	-	-	140,550
Public safety	2,800,636	-	457,597	3,258,233
Public works	908,044	-	-	908,044
Culture and recreation	930,098	-	792,586	1,722,684
Debt service:				
Principal	-	-	159,939	159,939
Interest	-	-	59,634	59,634
Fees and other	-	11,180	3,393	14,573
Capital outlay:	<u>221,987</u>	<u>1,408,553</u>	<u>1,135,340</u>	<u>2,765,880</u>
Total expenditures	<u>6,554,654</u>	<u>1,421,575</u>	<u>2,608,575</u>	<u>10,584,804</u>
Excess (deficiency) of revenues over expenditures	333,723	(1,244,364)	(629,171)	(1,539,812)
Other financing sources (uses):				
Debt proceeds	-	1,415,619	80,132	1,495,751
Gain on disposition of assets	85,450	-	-	85,450
Transfers in	480,000	25,000	568,415	1,073,415
Transfers out	(973,849)	-	(70,000)	(1,043,849)
Total other financing sources (uses)	<u>(408,399)</u>	<u>1,440,619</u>	<u>578,547</u>	<u>115,016</u>
Net change in fund balances	<u>(74,676)</u>	<u>196,255</u>	<u>(50,624)</u>	<u>70,955</u>
Fund balances, beginning of year	<u>1,444,059</u>	<u>94,619</u>	<u>974,068</u>	<u>2,512,746</u>
Fund balances, end of year	<u>\$ 1,369,383</u>	<u>\$ 290,874</u>	<u>\$ 923,444</u>	<u>\$ 2,583,701</u>

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

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**STATE OF NEW MEXICO
CITY OF SOCORRO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances - total governmental funds	\$ 70,955
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and the gain on the disposition of assets.	1,268,311
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	(1,324,632)
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>4,442</u>
Change in net position of governmental activities	\$ <u><u>19,076</u></u>

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

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**STATE OF NEW MEXICO
CITY OF SOCORRO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Gross receipts tax	\$ 1,965,000	\$ 1,965,000	\$ 2,039,494	\$ 74,494
Property taxes	531,060	531,060	577,430	46,370
Other state shared taxes	275,500	275,500	260,479	(15,021)
Franchise tax	240,000	240,000	193,666	(46,334)
Licenses and permits	41,550	41,550	29,104	(12,446)
Intergovernmental:				
Federal grants	228,539	268,539	252,674	(15,865)
State grants	197,916	207,538	467,669	260,131
Charges for services	1,454,000	1,454,000	1,087,266	(366,734)
Fines and forfeitures	138,656	138,656	68,805	(69,851)
State shared gross receipts tax	1,725,000	1,725,000	1,783,671	58,671
Other	171,975	175,975	155,555	(20,420)
Investment	10,000	10,000	9,586	(414)
	<u>6,979,196</u>	<u>7,032,818</u>	<u>6,925,399</u>	<u>(107,419)</u>
EXPENDITURES				
Current operations:				
General government	1,604,112	1,606,512	1,545,703	60,809
Judicial	173,811	173,811	140,550	33,261
Public safety	3,004,993	2,984,493	2,800,636	183,857
Public works	885,830	975,330	908,044	67,286
Culture and recreation	989,795	1,036,919	930,098	106,821
Capital Outlay	<u>81,050</u>	<u>77,050</u>	<u>221,987</u>	<u>(144,937)</u>
	<u>6,739,591</u>	<u>6,854,115</u>	<u>6,547,018</u>	<u>307,097</u>
Excess (deficiency) of revenues over expenditures	239,605	178,703	378,381	199,678
OTHER FINANCING SOURCES (USES)				
Gain on disposition of assets	-	-	85,450	85,450
Transfers in	453,405	523,405	480,000	(43,405)
Transfers out	<u>(660,928)</u>	<u>(945,928)</u>	<u>(973,849)</u>	<u>(27,921)</u>
Total other financing sources (uses)	<u>(207,523)</u>	<u>(422,523)</u>	<u>(408,399)</u>	<u>14,124</u>
Net change in fund balances	<u>\$ 32,082</u>	<u>\$ (243,820)</u>	<u>\$ (30,018)</u>	<u>\$ 213,802</u>
Beginning cash & investment balance	<u>\$ 688,267</u>	<u>\$ 688,267</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(30,018)	
Change in receivables			(37,022)	
Change in payables			<u>(7,636)</u>	
Net change in fund balances GAAP basis			<u>\$(74,676)</u>	

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

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

ASSETS

Current assets:

Cash and cash equivalents	\$ 18,863
Accounts receivable (net of allowance for uncollectible)	1,326,132
Due from other funds	62,913
Inventory	68,410
Total current assets	<u>1,476,318</u>

Restricted assets:

Customer meter deposits	84,023
Debt payments and reserves	635,417
Landfill improvements & closures and solid waste issues	348,575
Water rights	15,050
Total restricted assets	<u>1,083,065</u>

Total assets

2,559,383

Deferred outflow of resources

Real estate contract - land sale	344,431
Deferred loan & bond issue fees	67,569
Total deferred outflow of resources	<u>412,000</u>

Plant in service:

Non-depreciable assets	
Land	337,961
Depreciable assets	
Natural gas system	2,639,090
Water and sewer system	27,356,992
Solid waste equipment	3,896,009
Less accumulated depreciation	<u>(17,394,997)</u>
Total property, plant and equipment	<u>16,835,055</u>

Total assets and deferred outflows of resources

19,806,438

LIABILITIES

Current Liabilities:

Accounts payable	90,679
Accrued interest payable	30,467
Due to other funds	358,986
Current portion capital lease	75,245
Current portion long-term debt	262,400
Total current liabilities	<u>817,777</u>

Long term liabilities:

Utility meter deposits	84,023
Compensated absences	105,258
Landfill closure and post closing liability	758,689
Capital lease payable	348,026
Bonds and loans payable less current portion	3,560,759
Total long-term liabilities	<u>4,856,755</u>

Total liabilities

5,674,532

Deferred inflow of resources

Real estate contract deferred gain	<u>159,692</u>
------------------------------------	----------------

Net Position

Net investment in capital assets	12,558,158
Restricted for debt service	1,083,065
Restricted for construction	-
Unrestricted	330,991
Total net position	<u>13,972,214</u>

\$ 13,972,214

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

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Total
Operating Revenues:	
Charges for services	\$ 7,480,487
Connection charges	51,016
Other revenue	<u>101,441</u>
Total operating revenues	<u>7,632,944</u>
 Operating Expenses:	
Natural gas purchases	1,603,259
Salaries	1,763,405
Benefits	639,523
Other operating expense	2,682,446
Depreciation	1,172,830
Payment in lieu of taxes	<u>310,561</u>
Total operating expenses	<u>8,172,024</u>
 Operating income (loss)	 (539,080)
 Non-operating income (deductions):	
Taxes	92,389
Interest income	22,830
Interest expense	(123,526)
Transfers in (out) from other funds	(29,566)
Federal grants	<u>82,565</u>
Total non-operating income (deductions)	<u>44,692</u>
 Change in net position	 (<u>494,388</u>)
 Net position, beginning of year	 <u>14,466,602</u>
 Net position, end of year	 <u>\$ 13,972,214</u>

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

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**STATE OF NEW MEXICO
CITY OF SOCORRO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities	
Cash received from customers	\$ 7,558,004
Cash payments to employees for services	(2,405,600)
Cash payments to suppliers for goods and services	<u>(4,571,143)</u>
Net cash provided by operating activities	<u>581,261</u>
Cash flows from noncapital financing activities	
Net transfers and due to other funds	(29,566)
Taxes received	<u>92,389</u>
Net cash provided by capital and related activities	<u>62,823</u>
Cash flows from investing activities	
Interest income	<u>22,830</u>
Net cash used by capital and related activities	<u>22,830</u>
Cash flows from capital investing activities	
Debt proceeds	55,346
Acquisition of capital assets	(132,956)
Capital leases	-
Capital grants	82,565
Principal paid on debt	(379,865)
Interest paid on debt	<u>(124,618)</u>
Net cash used by capital financing activities	<u>(499,528)</u>
Net decrease in cash and cash equivalents	167,386
Cash and equivalents beginning of year	<u>934,542</u>
Cash and equivalents end of year	<u>\$ 1,101,928</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$(539,080)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	1,172,830
Disposition of capital assets	-
Decrease (increase) in customer receivable	(81,581)
Decrease (increase) in receivable sale of capital asset	(109,432)
Decrease (increase) in inventory	6,432
Decrease (increase) in deferred loan fees	4,568
Increase (decrease) in accounts payable	14,124
Increase (decrease) in deferred gain on rec	109,431
Increase (decrease) in customer deposits	6,641
Increase (decrease) in compensated absences	(2,672)
Increase (decrease) in liability for landfill closure	<u>-</u>
Net cash provided by operating activities	<u>\$ 581,261</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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 **Rodeo Arena & Convention Center Fund** is used to account for improvements and facilities to the arena and convention center. Resources for this project are provided by federal and state funding in addition to loans and transfers from the General fund.

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.

D. Assets, Liabilities, Net Position and Fund Balance

Cash Equivalents and Investments

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

Receivables

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

Supply Inventories

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

Restricted Assets

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

Real Estate Contract – Land Sale

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-term Obligations

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

Fund Balances

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

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

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

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

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

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

Net Position

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

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.

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. GASB 65 has been adopted for the year ending June 30, 2014.

E. Proprietary Activity Accounting and Financial Reporting

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Bonds and loans payable current	\$ 169,087
Bonds and loans payable	2,234,866
Accrued interest payable	6,294
Loan fees	(12,812)
Difference deferred gain - land sale	(5,998)
Compensated absences	<u>217,676</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$ <u>2,609,113</u>

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

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

Capital outlay	\$ 2,735,826
Depreciation expense	(1,497,569)
Difference gain on sale of asset	<u>-</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>1,238,257</u>

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

Bond and loan payable	\$ 159,939
Debt Proceeds	(1,495,751)
Debt issuance costs	<u>11,180</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>(1,324,632)</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	\$ 5,807
Gain on sale of assets	(193)
Accrued interest	592
Amortization of loan fees	<u>(1,764)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,442</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.
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, 2014, 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, 2014, 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.

	Balance Per Bank 6-30-14	Add Deposits In Transit	Less Outstanding Checks	Adjustment	Balance Per Books 6-30-14
First State Bank of Socorro:					
Checking Account Operating	\$ 828,792	\$ 41,409	\$ 410,369	\$ 4,051	\$ 463,883
Checking Account Payroll	50,590	-	48,938	-	1,652
Investment Account	682,038	-	-	-	682,038
Checking Account E-Pay	50,012	3,197	-	-	53,209
Checking CDBG Drainage Improvement	1,770	-	-	-	1,770
Bank of America :					
Checking Account Operating	47,593	-	-	-	47,593
Total Cash in Banks	<u>\$ 1,660,795</u>	<u>\$ 44,606</u>	<u>\$ 459,307</u>	<u>\$ 4,051</u>	1,250,145
Funds Held by the New Mexico Finance Authority:					
State Treasurers Office					776,227
Wells Fargo Brokerage Services					955,031
Plus Cash on Hand					550
Total Cash and Investments Per Books					<u>\$ 2,981,953</u>
As Reported in Financial Statements:					
Investments: Unrestricted					\$ 955,031
Cash: Unrestricted					302,305
Restricted					1,724,617
					<u>\$ 2,981,953</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.

	<u>First State Bank of Socorro</u>	<u>Bank of America</u>	<u>Total</u>
Amount on Deposit in Bank	\$ 1,613,202	\$ 47,574	\$ 1,660,776
Less FDIC Coverage	<u>(250,000)</u>	<u>(47,574)</u>	<u>(297,574)</u>
Uninsured Public Funds	<u>1,363,202</u>	<u>-</u>	<u>1,363,202</u>
Collateral pledged :	<u>STATED AT</u>		
Safekeeping agent, First State Bank, Socorro, NM			
US Treasury Notes CUSIP #912810DZ8	FMV 991,269	-	991,269
FFCB Non CBL Cuspid 31331VKU9	FMV <u>518,982</u>	<u>-</u>	<u>518,982</u>
	<u>1,510,251</u>	<u>-</u>	<u>1,510,251</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 681,601	\$ -	\$ 681,601
Pledged collateral	<u>1,510,251</u>	<u>-</u>	<u>1,510,251</u>
Over (under) collateralized	<u>\$ 828,650</u>	<u>\$ -</u>	<u>\$ 828,650</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, 2014 \$1,363,202 of the City's bank balance of \$1,660,795 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>1,363,202</u>	<u>-</u>
Total	<u>\$ 1,363,202</u>	<u>\$ -</u>

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 \$776,227.

<u>NMFA</u>	
NMFA (Landfill) Reserves	\$ 26,291
NMFA (Road) Reserves	8,495
NMFA (Infrastructure) Reserves	95,383
NMFA (Landfill) Reserves	77,854
NMFA New Landfill Cell	21,364
NMFA (Road) Intercept	9,209
NMFA (Infrastructure) Intercept	48,596
NMFA (Landfill) Intercept	17,982
NMFA Fire Station	9
NMFA Rodeo Sports Facility proceeds	377,194
NMFA Rodeo Sports Facility	13,394
NMFA Rodeo Sports Facility (reserve)	<u>80,456</u>
Total	<u>\$ 776,227</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, 2014 the City had the following investments held at Wells Fargo Brokerage Services:

	<u>Fair Value</u>	<u>Current</u>
Wells Fargo Adv. Government MMF	<u>\$ 955,031</u>	<u>\$ 955,031</u>

Custodial Credit Risk – Investments

In accordance with GASB 40, the City's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the counterparty. All of the City's investments are purchased through Wells Fargo Brokerage Services. Wells Fargo & Company holds all U.S. depository – eligible securities with the federally regulated Depository Trust Company (DTC) or through the Federal Reserve Bank System in Wells Fargo's name. The Advanced Government Money Market Fund investment of the City meet the above criteria and the cost subject to custodial credit risk is \$955,031. The City does not have a formal investment policy to limit this risk.

Interest Rate Risk – Investments

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

Credit Risk – Investments

As noted above the City follows the guidelines provided by the State of New Mexico for its investments. The City's investments in Government Money Market 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	\$ 570,788
Special Revenue Funds	384,243
Total	<u>\$ 955,031</u>

4. DETAILED NOTES ON ALL FUNDS

Receivables

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

	<u>Governmental Funds</u>			<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Joint Enterprise Fund</u>	
Receivables:				
Customer Accounts	\$ 381,457	\$ -	\$ 1,302,498	\$ 1,683,955
Property Taxes	12,547	-	-	12,547
Franchise Taxes	20,108	-	-	20,108
Gross Receipts Taxes	338,382	-	4,841	343,223
Lodgers' Tax	-	29,318	-	29,318
Motor Vehicle Fees	3,624	-	-	3,624
Other Governments	<u>35,192</u>	<u>15,183</u>	<u>115,419</u>	<u>165,794</u>
Gross receivables	791,310	44,501	1,422,758	2,258,569
Less: allowance for uncollectibles	<u>292,016</u>	<u>-</u>	<u>96,626</u>	<u>388,642</u>
Net total receivables	<u>\$ 499,294</u>	<u>\$ 44,501</u>	<u>\$ 1,326,132</u>	<u>\$ 1,869,927</u>

Capital Assets

Capital asset activity for the year ended June 30, 2014 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	\$ 301,819	\$ -	\$ -	\$ 301,819
Construction in progress	<u>64,152</u>	<u>-</u>	<u>(64,152)</u>	<u>-</u>
Total capital assets not being depreciated	<u>365,971</u>	<u>-</u>	<u>(64,152)</u>	<u>301,819</u>
Capital assets, being depreciated:				
Buildings and improvements	9,613,850	406,428	-	10,020,278
Equipment and vehicles	6,869,466	262,905	-	7,132,371
Infrastructure	<u>9,678,928</u>	<u>2,096,547</u>	<u>64,152</u>	<u>11,839,627</u>
Total capital assets being depreciated	<u>26,162,244</u>	<u>2,765,880</u>	<u>64,152</u>	<u>28,992,276</u>
Less accumulated depreciation:				
Buildings and improvements	4,309,717	353,342	-	4,663,059
Equipment and vehicles	4,713,275	449,335	-	5,162,610
Infrastructure	<u>2,598,605</u>	<u>694,892</u>	<u>-</u>	<u>3,293,497</u>
Total accumulated depreciation	<u>11,621,597</u>	<u>1,497,569</u>	<u>-</u>	<u>13,119,166</u>
Total capital assets being depreciated, net	<u>14,540,647</u>	<u>1,268,311</u>	<u>64,152</u>	<u>15,873,110</u>
Governmental activities capital assets, net	<u>\$ 14,906,618</u>	<u>\$ 1,268,311</u>	<u>\$ -</u>	<u>\$ 16,174,929</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 337,961	\$ -	\$ -	\$ 337,961
Construction in progress	<u>58,586</u>	<u>-</u>	<u>(58,586)</u>	<u>-</u>
Total capital assets not being depreciated	<u>396,547</u>	<u>-</u>	<u>(58,586)</u>	<u>337,961</u>
Capital assets, being depreciated:				
Plant and equipment	<u>33,805,197</u>	<u>132,956</u>	<u>(46,062)</u>	<u>33,892,091</u>
Total capital assets being depreciated	<u>33,805,197</u>	<u>132,956</u>	<u>(46,062)</u>	<u>33,892,091</u>
Less accumulated depreciation:				
Plant and equipment	<u>16,326,815</u>	<u>1,172,830</u>	<u>(104,648)</u>	<u>17,394,997</u>
Total accumulated depreciation	<u>16,326,815</u>	<u>1,172,830</u>	<u>(104,648)</u>	<u>17,394,997</u>
Total capital assets being depreciated, net	<u>17,478,382</u>	<u>(1,039,874)</u>	<u>58,586</u>	<u>16,497,094</u>
Business-type activities capital assets, net	<u>\$ 17,874,929</u>	<u>\$ (1,039,874)</u>	<u>\$ -</u>	<u>\$ 16,835,055</u>

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

Governmental Activities:	
General government	\$ 173,708
Judicial	18,199
Public safety	329,244
Public works	648,613
Culture and recreation	<u>327,805</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,497,569</u>
Business-type Activities:	
Natural gas	\$ 84,807
Water	236,425
Waste water	520,956
Solid waste	56,763
Landfill	<u>273,879</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,172,830</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, 2014 is \$47,000.

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

Operating Transfers:

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

Interfund transfers:

	Transfers out				Total
	General	Major Fund	Non Major	Joint Enterprise	
Transfers in:					
General	\$ -	\$ -	\$ -	\$ 29,566	\$ 29,566
Nonmajor	973,849	-	70,000	-	1,043,849
Total transfers out	973,849	-	70,000	29,566	1,073,415
Less transfers in	(480,000)	(25,000)	(568,415)	-	(1,073,415)
	<u>\$ 493,849</u>	<u>\$ (25,000)</u>	<u>\$ (498,415)</u>	<u>\$ 29,566</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.

Fire Station Renovation Project

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

Rodeo Sports Facility

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the construction of rodeo and sports facilities within the governmental unit. Lodgers' tax revenues of approximately 3% are the pledged revenues for this loan. The loan was finalized on June 14, 2013, with the City borrowing \$1,495,751. The note payable bears interest at 2.344%, with principal payments due monthly. The loan matures May 1, 2038.

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.

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.

Drinking Water Replacement of Meter Readers

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

Drinking Water System Improvement Project

The City entered into a loan agreement with New Mexico Finance Authority to finance the design, acquisition, construction, improvement, expansion, repair or rehabilitation of drinking water systems and water supply systems for the community on June 28, 2013. The project is underway and the loan amount to date (excluding debt forgiveness) is \$55,346 with a maximum loan of \$475,200. This loan bears an interest rate of .25%.

Revenue Bonds

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

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
2010 Joint Utility System	\$ 132,000	2/19/2050	2.625%	\$ 124,200
2011A Joint Utility System	515,000	8/4/2051	2.500%	499,000
2013A Joint Utility System	1,230,000	1/18/2053	2.500%	1,210,000
Improvement Revenue Bonds - total				<u>\$ 1,833,200</u>

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 was paid in full in fiscal year 2014. The City has capitalized \$316,120 for this lease.

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

Lease Payment Requirement			
FYE June 30,	Principal	Interest	Total
2015	\$ 75,245	\$ 12,447	\$ 87,692
2016	77,688	10,004	87,692
2017	80,211	7,481	87,692
2018	82,816	4,876	87,692
2019	85,505	2,187	87,692
2020	21,806	116	21,922
	<u>\$ 423,271</u>	<u>\$ 37,111</u>	<u>\$ 460,382</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, 2014 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%	147,665
NMFA Loan	\$1,094,999	2021	3.387%	580,550
NMFA Loan	\$309,575	2021	2.392%	222,078
NMFA Loan	\$1,495,751	2038	2.344%	1,453,660
Total governmental activities				<u>\$ 2,403,953</u>
<u>Business-Type Activities</u>				
NMFA Loan -Landfill Loan	\$526,185	2022	4.248%	\$ 262,535
NMED Loan	\$2,320,915	2018	2.0%	558,656
NMED Loan	\$1,093,740	2029	3.588%	870,048
NMED Loan	\$75,075	2029	0.000%	60,059
NMED Loan	\$183,315	2024	.25%	183,315
NMED Loan	In process	2025	.25%	55,346
Revenue Bonds	\$132,000	2050	2.625%	124,200
Revenue Bonds	\$515,000	2051	2.500%	499,000
Revenue Bonds	\$1,230,000	2053	2.500%	1,210,000
Total business-type activities				<u>\$ 3,823,159</u>

Governmental Activities

Year Ending June 30,	Principal	Interest	Admin. Fee
Notes Payable:			
2015	\$ 169,087	\$ 30,258	\$ 3,282
2016	172,897	56,732	2,888
2017	177,073	52,846	2,554
2018	181,596	48,623	2,382
2019	186,471	44,057	2,079
2020-2024	566,463	151,752	6,381
2025-2029	293,616	102,860	4,181
2030-2034	342,489	55,547	2,621
2035-2039	314,261	5,470	794
Total	<u>\$ 2,403,953</u>	<u>\$ 548,145</u>	<u>\$ 27,162</u>

Business-Type Activities

Year Ending June 30,	Principal	Interest	Admin. Fee
Notes Payable:			
2015	\$ 232,300	\$ 53,404	\$ 656
2016	292,582	48,541	586
2017	242,404	43,450	512
2018	247,838	38,093	436
2019	106,813	32,485	356
2020-2024	503,290	114,962	554
2025-2029	360,982	45,663	-
2030-2034	3,750	-	-
Total	<u>\$ 1,989,959</u>	<u>\$ 376,598</u>	<u>\$ 3,100</u>

Revenue Bonds Payable:

Year Ending June 30,	Principal	Interest	Admin. Fee
2015	\$ 30,100	\$ 46,049	\$ -
2016	30,100	45,349	-
2017	30,200	44,549	-
2018	31,300	43,749	-
2019	31,300	43,049	-
2020-2024	160,500	203,245	-
2025-2029	188,300	182,845	-
2030-2034	228,200	156,245	-
2035-2039	238,500	127,045	-
2040-2044	289,000	95,245	-
2045-2049	313,000	57,345	-
2050-2054	262,700	16,184	-
Total	<u>\$ 1,833,200</u>	<u>\$ 1,060,899</u>	<u>\$ -</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014, 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	\$ 1,068,141	\$ 1,495,751	\$ 159,939	\$ 2,403,953	\$ 169,087
Compensated absences	<u>223,483</u>	<u>146,146</u>	<u>151,953</u>	<u>217,676</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,291,624</u>	<u>\$ 1,641,897</u>	<u>\$ 311,892</u>	<u>\$ 2,621,629</u>	<u>\$ 169,087</u>
Business-type activities					
Capital Lease	\$ 563,623	\$ -	\$ 140,352	\$ 423,271	\$ 75,245
Loans Payable	2,144,127	55,346	209,514	1,989,959	232,300
Revenue Bonds Payable	1,863,200		30,000	1,833,200	30,100
Compensated Absences	<u>107,930</u>	<u>108,136</u>	<u>110,808</u>	<u>105,258</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 4,678,880</u>	<u>\$ 163,482</u>	<u>\$ 490,674</u>	<u>\$ 4,351,688</u>	<u>\$ 337,645</u>

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

Landfill Closure and Post Closure Costs

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

During the year ended June 30, 2014, the City received \$52,130 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, 2014; \$348,575 of City imposed environmental gross receipts tax and service charge revenue to be used to satisfy the landfill closure and post closure care liability as well as other solid waste cost issues. The City has satisfied State determined financial assurance requirements for closure and post closure costs and related assessments through the State's analysis of the City's present financial stature. The City has received their new landfill permit which is adjacent to the old landfill. The new landfill cells were opened in 2013.

Restricted Assets

The balances of the restricted asset accounts are as follows:

	Enterprise Funds
Meter deposits	\$ 84,023
Debt requirements	635,417
Land Closure and Solid Waste Reserve	348,575
Water Rights Acquisition Reserve	<u>15,050</u>
Total restricted assets	<u>\$ 1,083,065</u>

POST-EMPLOYMENT BENEFITS:

Retirement Plan

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

Funding Policy. Plan members are required to contribute a percentage of their gross salary. The City of Socorro is required to contribute 18.5% for law enforcement officers, 21.25% for fire protection workers and 10.65% for all other employees, of the gross covered salary. In addition to the state employer contribution percentages above, the City currently pays 75% of the required employee contributions of 13.15% for all regular employee members. The contribution requirements of plan members and the City of Socorro are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The City of Socorro's contributions to PERA for the years ending June 30, 2014, 2013 and 2012 were \$900,649, \$841,347, and \$798,518, respectively, which equal the amount of the required contributions for each fiscal year.

Deferred Compensation Plan

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

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

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

Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the

New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City of Socorro contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$91,790, \$92,642, and \$80,072, 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.

Related Party Transactions

The City's mayor and council members own various businesses in their local area. For the year ending June 30, 2014 the City paid Best Western Hotel \$428 for facility rent, Holiday In Express \$561 and Bhasker Medical Clinic PC \$5,347 which is owned by Mayor Bhasker. For the year ending June 30, 2014 the City paid Monette Ford \$12,179 which is owned by Donald Monette, council member, Ernest Welding & Machine \$3,687 which is owned by Earnest Pargas, council member, Toby Jaramillo councilor's business \$1,100, Hicks Paint and Body Shop \$41 which is owned by Gordy Hicks, council member and Scott's Auto \$18,844, which is owned by Peter Romero, council member.

Joint Powers Agreement

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

Capital Outlay Appropriations

Capital Outlay appropriations are as follows:

<u>CAPITAL PROJECT FUND</u>	<u>PROJECT APPROPRIATIONS</u>	<u>2014 EXPENDITURES</u>	<u>EXPENDITURES TO DATE</u>	<u>PROJECT FUNDS OUTSTANDING</u>	<u>APPROPRIATION PERIOD</u>
RODEO ARENA/CONV CENTER					
131784	\$ 400,000	\$ 150,420	\$ 150,420	\$ 249,580	8/27/13 - 6/30/17

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

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OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

SPECIAL REVENUE FUNDS (continued)

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

CAPITAL PROJECTS FUNDS

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

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

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

DEBT SERVICE FUND

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

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue					
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
ASSETS						
Cash	\$ 107,999	\$ 1,131	\$ 8,229	\$ 7,257	\$ -	\$ -
Cash - restricted	-	-	-	13,393	-	-
Investments	-	-	164,130	220,113	-	-
Accounts receivable	-	-	7,371	21,947	-	-
	<u>107,999</u>	<u>1,131</u>	<u>179,730</u>	<u>262,710</u>	<u>-</u>	<u>-</u>
Total assets						
Deferred outflow of resources:						
Unavailable grant revenue	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 107,999</u>	<u>\$ 1,131</u>	<u>\$ 179,730</u>	<u>\$ 262,710</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 914	\$ 2,952	\$ 27	\$ -	\$ -	\$ -
	<u>914</u>	<u>2,952</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities						
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Special revenue	107,085	(1,821)	179,703	262,710	-	-
	<u>107,085</u>	<u>(1,821)</u>	<u>179,703</u>	<u>262,710</u>	<u>-</u>	<u>-</u>
Total fund balances						
Total liabilities and fund balances	<u>\$ 107,999</u>	<u>\$ 1,131</u>	<u>\$ 179,730</u>	<u>\$ 262,710</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue

Correctional Fees Fund	E-911 Fund	Sedillo Park Renovations Fund	Library Fund	Juvenile Justice Grant Fund	Total
\$ 6,909	\$ -	\$ 38,961	\$ 18,661	\$ 690	\$ 189,837
-	-	-	-	-	13,393
-	-	-	-	-	384,243
-	-	-	-	15,183	44,501
<u>6,909</u>	<u>-</u>	<u>38,961</u>	<u>18,661</u>	<u>15,873</u>	<u>631,974</u>
-	-	-	-	-	-
<u>\$ 6,909</u>	<u>\$ -</u>	<u>\$ 38,961</u>	<u>\$ 18,661</u>	<u>\$ 15,873</u>	<u>\$ 631,974</u>
\$ -	\$ -	\$ 116	\$ -	\$ -	\$ 4,009
-	-	116	-	-	4,009
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,909</u>	<u>-</u>	<u>38,845</u>	<u>18,661</u>	<u>15,873</u>	<u>627,965</u>
<u>6,909</u>	<u>-</u>	<u>38,845</u>	<u>18,661</u>	<u>15,873</u>	<u>627,965</u>
<u>\$ 6,909</u>	<u>\$ -</u>	<u>\$ 38,961</u>	<u>\$ 18,661</u>	<u>\$ 15,873</u>	<u>\$ 631,974</u>

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
JUNE 30, 2014

	<u>Capital Projects</u>			<u>Debt Service</u>		<u>Nonmajor Governmental Funds</u>
	<u>Airport Improvement Fund</u>	<u>Street Improvement Fund</u>	<u>CDBG Cuba Rd Phase III</u>	<u>Total</u>	<u>Total</u>	
ASSETS						
Cash	\$ 5,131	\$ 378	\$ 1,770	\$ 7,279	\$ -	\$ 197,116
Cash - restricted	-	-	-	-	250,965	264,358
Investments	-	-	-	-	-	384,243
Accounts receivable	-	-	-	-	-	44,501
Total assets	<u>5,131</u>	<u>378</u>	<u>1,770</u>	<u>7,279</u>	<u>250,965</u>	<u>890,218</u>
Deferred outflow of resources:						
Unavailable grant revenue	-	-	67,289	67,289	-	67,289
Total assets and deferred outflows of resources	<u>\$ 5,131</u>	<u>\$ 378</u>	<u>\$ 69,059</u>	<u>\$ 74,568</u>	<u>\$ 250,965</u>	<u>957,507</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 30,054	30,054	\$ -	\$ 34,063
Total liabilities	<u>-</u>	<u>-</u>	<u>30,054</u>	<u>30,054</u>	<u>-</u>	<u>34,063</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	250,965	250,965
Capital projects	5,131	378	39,005	44,514	-	44,514
Special revenue	-	-	-	-	-	627,965
Total fund balances	<u>5,131</u>	<u>378</u>	<u>39,005</u>	<u>44,514</u>	<u>250,965</u>	<u>923,444</u>
Total liabilities and fund balances	<u>\$ 5,131</u>	<u>\$ 378</u>	<u>\$ 69,059</u>	<u>\$ 74,568</u>	<u>\$ 250,965</u>	<u>\$ 957,507</u>

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

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STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue					
	Fire Protection Fund	Recreation Fund	Lodgers Tax Fund	Lodgers Tax Promotional Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
REVENUES						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' tax	-	-	142,990	233,949	-	-
Intergovernmental						
Federal grants	-	-	-	-	-	-
State grants	166,577	-	25,693	-	20,000	30,200
Charges for services	-	38,480	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
State shared gross receipts tax	-	-	-	-	-	-
Other	-	8,850	-	8,857	-	-
Investment	5	-	-	4	-	-
Total revenues	<u>166,582</u>	<u>47,330</u>	<u>168,683</u>	<u>242,810</u>	<u>20,000</u>	<u>30,200</u>
EXPENDITURES						
Current operations:						
General government	-	-	-	-	-	-
Public safety	87,882	-	-	-	20,000	19,243
Culture and recreation	-	410,446	142,261	215,137	-	-
Debt Service:						
Principal	29,403	-	-	42,091	-	-
Interest	5,817	-	-	27,152	-	-
Fees and other	-	-	-	1,317	-	-
Capital outlay	-	8,848	20,680	31,102	-	10,957
Total expenditures	<u>123,102</u>	<u>419,294</u>	<u>162,941</u>	<u>316,799</u>	<u>20,000</u>	<u>30,200</u>
Excess (deficiency) of revenues over expenditures	43,480	(371,964)	5,742	(73,989)	-	-
Other financing sources (uses):						
Debt proceeds	-	-	-	-	-	-
Transfers in	-	370,000	-	-	-	-
Transfers out	-	-	(20,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>370,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	43,480	(1,964)	(14,258)	(73,989)	-	-
Fund balances, beginning of year	<u>63,605</u>	<u>143</u>	<u>193,961</u>	<u>336,699</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 107,085</u>	<u>\$(1,821)</u>	<u>\$ 179,703</u>	<u>\$ 262,710</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue

Correctional Fees Fund	E-911 Fund	Sedillo Park Renovations Fund	Library Fund	Juvenile Justice Grant Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	376,939
-	-	-	-	38,997	38,997
-	210,393	-	1,425	-	454,288
-	-	22,906	114	-	61,500
20,979	-	-	-	-	20,979
-	-	-	-	-	-
-	-	-	1,448	-	19,155
-	-	-	-	-	9
<u>20,979</u>	<u>210,393</u>	<u>22,906</u>	<u>2,987</u>	<u>38,997</u>	<u>971,867</u>
-	-	-	-	-	-
39,575	210,393	-	-	80,504	457,597
-	-	24,078	664	-	792,586
-	-	-	-	-	71,494
-	-	-	-	-	32,969
-	-	-	-	-	1,317
-	-	-	-	-	71,587
<u>39,575</u>	<u>210,393</u>	<u>24,078</u>	<u>664</u>	<u>80,504</u>	<u>1,427,550</u>
(18,596)	-	(1,172)	2,323	(41,507)	(455,683)
-	-	-	-	-	-
-	-	-	-	40,000	410,000
-	-	-	-	-	(20,000)
-	-	-	-	<u>40,000</u>	<u>390,000</u>
(18,596)	-	(1,172)	2,323	(1,507)	(65,683)
<u>25,505</u>	<u>-</u>	<u>40,017</u>	<u>16,338</u>	<u>17,380</u>	<u>693,648</u>
<u>\$ 6,909</u>	<u>\$ -</u>	<u>\$ 38,845</u>	<u>\$ 18,661</u>	<u>\$ 15,873</u>	<u>\$ 627,965</u>

STATE OF NEW MEXICO
CITY OF SOCORRO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Capital Projects			Debt Service		Nonmajor Governmental Funds
	Airport Improvement Fund	Street Improvement Fund	CDBG Cuba Rd Phase III	Total	Total	
REVENUES						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ 117,327	\$ 117,327
Lodgers' tax	-	-	-	-	-	376,939
Intergovernmental						
Federal grants	322,836	-	349,325	672,161	-	711,158
State grants	26,364	190,865	-	217,229	-	671,517
Charges for services	-	-	-	-	-	61,500
Fines and forfeitures	-	-	-	-	-	20,979
State shared gross receipts tax	-	-	-	-	-	-
Other	-	-	-	-	-	19,155
Investment	-	-	-	-	820	829
Total revenues	<u>349,200</u>	<u>190,865</u>	<u>349,325</u>	<u>889,390</u>	<u>118,147</u>	<u>1,979,404</u>
EXPENDITURES						
Current operations:						
General government	-	-	86	86	-	86
Public safety	-	-	-	-	-	457,597
Culture and recreation	-	-	-	-	-	792,586
Debt Service:						
Principal	-	-	-	-	88,445	159,939
Interest	-	-	-	-	26,665	59,634
Fees and other	-	-	-	-	2,076	3,393
Capital outlay	<u>375,591</u>	<u>353,489</u>	<u>334,673</u>	<u>1,063,753</u>	<u>-</u>	<u>1,135,340</u>
Total expenditures	<u>375,591</u>	<u>353,489</u>	<u>334,759</u>	<u>1,063,839</u>	<u>117,186</u>	<u>2,608,575</u>
Excess (deficiency) of revenues over expenditures	(26,391)	(162,624)	14,566	(174,449)	961	(629,171)
Other financing sources (uses):						
Debt proceeds	-	-	-	-	80,132	80,132
Transfers in	-	158,415	-	158,415	-	568,415
Transfers out	-	-	-	-	(50,000)	(70,000)
Total other financing sources (uses)	<u>-</u>	<u>158,415</u>	<u>-</u>	<u>158,415</u>	<u>30,132</u>	<u>578,547</u>
Net change in fund balances	(26,391)	(4,209)	14,566	(16,034)	31,093	(50,624)
Fund balances, beginning of year	<u>31,522</u>	<u>4,587</u>	<u>24,439</u>	<u>60,548</u>	<u>219,872</u>	<u>974,068</u>
Fund balances, end of year	<u>\$ 5,131</u>	<u>\$ 378</u>	<u>\$ 39,005</u>	<u>\$ 44,514</u>	<u>\$ 250,965</u>	<u>\$ 923,444</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, 2014**

	<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	\$ 166,577	\$(15,500)
Investment income	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Total revenues	<u>182,077</u>	<u>182,077</u>	<u>166,582</u>	<u>(15,495)</u>
EXPENDITURES				
Current operations:				
Public Safety	124,000	124,000	88,311	35,689
Debt service				
Principal	29,403	29,403	29,403	-
Interest	<u>5,817</u>	<u>5,817</u>	<u>5,817</u>	<u>-</u>
Total expenditures	<u>159,220</u>	<u>159,220</u>	<u>123,531</u>	<u>35,689</u>
Excess (deficiency) of revenues over expenditures	<u>22,857</u>	<u>22,857</u>	<u>43,051</u>	<u>20,194</u>
Net change in fund balances	<u>\$ 22,857</u>	<u>\$ 22,857</u>	<u>\$ 43,051</u>	<u>\$ 20,194</u>
Beginning cash balance	<u>\$ 64,948</u>	<u>\$ 64,948</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 43,051	
Change in payables			<u>429</u>	
Net change in fund balances GAAP basis			<u>\$ 43,480</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, 2014**

	<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	\$ 57,000	\$ 57,000	\$ 38,480	\$(18,520)
Other	<u>7,500</u>	<u>7,500</u>	<u>8,850</u>	<u>1,350</u>
Total revenues	<u>64,500</u>	<u>64,500</u>	<u>47,330</u>	<u>(17,170)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	422,123	442,123	409,451	32,672
Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>8,848</u>	<u>(6,848)</u>
Total expenditures	<u>424,123</u>	<u>444,123</u>	<u>418,299</u>	<u>25,824</u>
Excess (deficiency) of revenues over expenditures	<u>(359,623)</u>	<u>(379,623)</u>	<u>(370,969)</u>	<u>8,654</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>357,523</u>	<u>438,523</u>	<u>370,000</u>	<u>(68,523)</u>
Total other financing sources (uses)	<u>357,523</u>	<u>438,523</u>	<u>370,000</u>	<u>(68,523)</u>
Net change in fund balances	<u>\$(2,100)</u>	<u>\$ 58,900</u>	<u>\$(969)</u>	<u>\$(59,869)</u>
Beginning cash balance	<u>\$ 2,100</u>	<u>\$ 2,100</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(969)	
Change in payables			<u>(995)</u>	
Net change in fund balances GAAP basis			<u>\$(1,964)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Lodgers' tax	\$ 131,550	\$ 131,550	\$ 143,748	\$ 12,198
State grants	<u>40,000</u>	<u>40,000</u>	<u>25,693</u>	<u>(14,307)</u>
Total revenues	<u>171,550</u>	<u>171,550</u>	<u>169,441</u>	<u>(2,109)</u>
EXPENDITURES				
Current operations:				
Culture and recreation	155,550	155,550	142,335	13,215
Capital Outlay	<u>32,500</u>	<u>32,500</u>	<u>20,680</u>	<u>11,820</u>
Total expenditures	<u>188,050</u>	<u>188,050</u>	<u>163,015</u>	<u>25,035</u>
Excess (deficiency) of revenues over expenditures	<u>(16,500)</u>	<u>(16,500)</u>	<u>6,426</u>	<u>22,926</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>\$(36,500)</u>	<u>\$(36,500)</u>	<u>\$(13,574)</u>	<u>\$ 22,926</u>
Beginning cash balance	<u>\$ 185,933</u>	<u>\$ 185,933</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(13,574)	
Change in receivables			(758)	
Change in payables			<u>74</u>	
Net change in fund balances GAAP basis			<u>\$(14,258)</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodgers' tax	\$ 215,009	\$ 215,009	\$ 234,536	\$ 19,527
Other	14,000	14,000	8,857	(5,143)
Investment income	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Total revenues	<u>229,009</u>	<u>229,009</u>	<u>243,397</u>	<u>14,388</u>
EXPENDITURES				
Current operations:				
Culture and recreation	202,211	209,526	215,137	(5,611)
Capital Outlay	-	38,000	31,102	6,898
Debt service:				
Principal	50,088	50,088	42,091	7,997
Interest	33,829	33,829	27,152	6,677
Fees and other	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>(1,317)</u>
Total expenditures	<u>286,128</u>	<u>331,443</u>	<u>316,799</u>	<u>14,644</u>
Excess (deficiency) of revenues over expenditures	<u>(57,119)</u>	<u>(102,434)</u>	<u>(73,402)</u>	<u>29,032</u>
Net change in fund balances	<u>\$ (57,119)</u>	<u>\$ (102,434)</u>	<u>\$ (73,402)</u>	<u>\$ 29,032</u>
Beginning cash balance	<u>\$ 314,165</u>	<u>\$ 314,165</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(73,402)	
Change in receivables			<u>(587)</u>	
Net change in fund balances GAAP basis			<u>\$(73,989)</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, 2014**

	<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	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public Safety	20,000	20,000	20,000	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	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	-	-	19,243	(19,243)
Capital Outlay	<u>30,200</u>	<u>30,200</u>	<u>10,957</u>	<u>19,243</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Fines and forfeitures	\$ 50,000	\$ 50,000	\$ 20,979	\$(29,021)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>20,979</u>	<u>(29,021)</u>
EXPENDITURES				
Current operations:				
Public Safety	<u>50,000</u>	<u>50,000</u>	<u>39,575</u>	<u>10,425</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>39,575</u>	<u>10,425</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(18,596)</u>	<u>(18,596)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$(18,596)</u>	<u>\$(18,596)</u>
Beginning cash balance	<u>\$ 25,505</u>	<u>\$ 25,505</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ -	\$ 210,393	\$ 210,393	\$ -
Total revenues	<u>-</u>	<u>210,393</u>	<u>210,393</u>	<u>-</u>
EXPENDITURES				
Current operations:				
Public safety	<u>-</u>	<u>210,393</u>	\$ <u>210,393</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>210,393</u>	<u>210,393</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ 22,000	\$ 22,000	\$ 22,906	\$ 906
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>22,906</u>	<u>906</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>32,000</u>	<u>32,000</u>	<u>23,970</u>	<u>8,030</u>
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>23,970</u>	<u>8,030</u>
Excess (deficiency) of revenues over expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>(1,064)</u>	<u>8,936</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	<u>\$(10,000)</u>	<u>\$ 40,000</u>	<u>\$(1,064)</u>	<u>\$(41,064)</u>
Beginning cash balance	<u>\$ 40,025</u>	<u>\$ 40,025</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(1,064)	
Change in payables			<u>(108)</u>	
Net change in fund balances GAAP basis			<u>\$(1,172)</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
State grants	\$ 750	\$ 750	\$ 1,425	\$ 675
Charges for services	500	500	114	(386)
Other	<u>1,600</u>	<u>1,600</u>	<u>1,448</u>	<u>(152)</u>
Total revenues	<u>2,850</u>	<u>2,850</u>	<u>2,987</u>	<u>137</u>
EXPENDITURES				
Current operations:				
Culture and recreation	<u>2,850</u>	<u>2,850</u>	<u>664</u>	<u>2,186</u>
Total expenditures	<u>2,850</u>	<u>2,850</u>	<u>664</u>	<u>2,186</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,323</u>	<u>2,323</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,323</u>	<u>\$ 2,323</u>
 Beginning cash balance	 <u>\$ 16,338</u>	 <u>\$ 16,338</u>		

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
JUVENILE JUSTICE GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grants	\$ 89,551	\$ 110,551	\$ 45,627	\$(64,924)
Total revenues	<u>89,551</u>	<u>110,551</u>	<u>45,627</u>	<u>(64,924)</u>
EXPENDITURES				
Current operations:				
Public safety	<u>82,731</u>	<u>103,731</u>	<u>88,124</u>	<u>15,607</u>
Total expenditures	<u>82,731</u>	<u>103,731</u>	<u>88,124</u>	<u>15,607</u>
Excess (deficiency) of revenues over expenditures	<u>6,820</u>	<u>6,820</u>	<u>(42,497)</u>	<u>(49,317)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>20,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 6,820</u>	<u>\$ 46,820</u>	<u>\$(2,497)</u>	<u>\$(49,317)</u>
Beginning cash balance	<u>\$ 3,180</u>	<u>\$ 3,180</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(2,497)	
Change in receivables			(6,630)	
Change in payables			<u>7,620</u>	
Net change in fund balances GAAP basis			<u>\$(1,507)</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Federal grants	\$ 540,000	\$ 540,000	\$ 351,497	\$(188,503)
State grants	<u>30,000</u>	<u>30,000</u>	<u>26,364</u>	<u>(3,636)</u>
Total revenues	<u>570,000</u>	<u>570,000</u>	<u>377,861</u>	<u>(188,503)</u>
EXPENDITURES				
Capital Outlay	<u>600,000</u>	<u>600,000</u>	<u>375,591</u>	<u>224,409</u>
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>375,591</u>	<u>224,409</u>
Excess (deficiency) of revenues over expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>2,270</u>	<u>35,906</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,270</u>	<u>\$ 35,906</u>
Beginning cash balance	<u>\$ 2,861</u>	<u>\$ 2,861</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 2,270	
Change in receivables			<u>(28,661)</u>	
Net change in fund balances GAAP basis			<u>\$(26,391)</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, 2014**

	<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	\$ <u>188,698</u>	\$ <u>188,698</u>	\$ <u>190,865</u>	\$ <u>2,167</u>
Total revenues	<u>188,698</u>	<u>188,698</u>	<u>190,865</u>	<u>2,167</u>
EXPENDITURES				
Current operations:				
General government	-	-	-	-
Capital Outlay	<u>251,598</u>	<u>426,598</u>	<u>353,489</u>	<u>73,109</u>
Total expenditures	<u>251,598</u>	<u>426,598</u>	<u>353,489</u>	<u>73,109</u>
Excess (deficiency) of revenues over expenditures	<u>(62,900)</u>	<u>(237,900)</u>	<u>(162,624)</u>	<u>75,276</u>
OTHER FINANCING SOURCES (USES)				
Transfers in and (out)	<u>70,000</u>	<u>245,000</u>	<u>158,415</u>	<u>(86,585)</u>
Total other financing sources (uses)	<u>70,000</u>	<u>245,000</u>	<u>158,415</u>	<u>(86,585)</u>
Net change in fund balances	<u>\$ 7,100</u>	<u>\$ 7,100</u>	<u>\$ (4,209)</u>	<u>\$ (11,309)</u>
Beginning cash balance	<u>\$ 4,587</u>	<u>\$ 4,587</u>		

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
CDBG CUBA ROAD PHASE III
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Federal grants	\$ 476,367	\$ 476,367	282,036	\$ (194,331)
EXPENDITURES				
General government	-	-	86	(86)
Capital Outlay	<u>500,806</u>	<u>500,806</u>	<u>304,619</u>	<u>196,187</u>
Total expenditures	<u>500,806</u>	<u>500,806</u>	<u>304,705</u>	<u>196,101</u>
Excess (deficiency) of revenues over expenditures	<u>(24,439)</u>	<u>(24,439)</u>	<u>(22,669)</u>	<u>1,770</u>
Net change in fund balances	<u>\$(24,439)</u>	<u>\$(24,439)</u>	<u>\$(22,669)</u>	<u>\$ 1,770</u>
Beginning cash balance	<u>\$ 24,439</u>	<u>\$ 24,439</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(22,669)	
Change in payables			67,289	
Change in receivables			<u>(30,054)</u>	
Net change in fund balances GAAP basis			<u>\$ 14,566</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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Gross receipts tax	\$ 117,327	\$ 117,327	\$ 117,327	\$ -
Investment	<u>660</u>	<u>924</u>	<u>820</u>	<u>(104)</u>
Total revenues	<u>117,987</u>	<u>118,251</u>	<u>118,147</u>	<u>(104)</u>
EXPENDITURES				
Debt service:				
Principal	88,445	88,445	88,445	-
Interest	28,407	28,407	26,665	1,742
Fees and other	<u>2,396</u>	<u>2,396</u>	<u>2,076</u>	<u>320</u>
Total expenditures	<u>119,248</u>	<u>119,248</u>	<u>117,186</u>	<u>2,062</u>
Excess (deficiency) of revenues over expenditures	<u>(1,261)</u>	<u>(997)</u>	<u>961</u>	<u>1,958</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	80,132	80,132	-
Transfers in	50,000	(50,000)	-	50,000
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(50,000)</u>	<u>25,000</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(44,868)</u>	<u>30,132</u>	<u>75,000</u>
Net change in fund balances	<u>\$ (26,261)</u>	<u>\$ (45,865)</u>	<u>\$ 31,093</u>	<u>\$ 76,958</u>
Beginning cash and investment balances	<u>\$ 250,965</u>	<u>\$ 250,965</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, 2014**

	<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	\$ 178,611	\$ 578,611	\$ 175,961	\$(402,650)
Investment	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>1,250</u>
Total revenues	<u>178,611</u>	<u>578,611</u>	<u>177,211</u>	<u>(401,400)</u>
EXPENDITURES				
General government	-	-	1,842	(1,842)
Fees and other	-	-	11,180	(11,180)
Capital Outlay	<u>1,443,209</u>	<u>1,443,209</u>	<u>1,320,609</u>	<u>122,600</u>
Total expenditures	<u>1,443,209</u>	<u>1,443,209</u>	<u>1,333,631</u>	<u>109,578</u>
Excess (deficiency) of revenues over expenditures	<u>(1,264,598)</u>	<u>(864,598)</u>	<u>(1,156,420)</u>	<u>(291,822)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	1,404,400	1,404,400	1,415,619	11,219
Transfers in and (out)	<u>200,000</u>	<u>200,000</u>	<u>25,000</u>	<u>(175,000)</u>
Total other financing sources (uses)	<u>1,604,400</u>	<u>1,604,400</u>	<u>1,440,619</u>	<u>(36,219)</u>
Net change in fund balances	<u>\$ 339,802</u>	<u>\$ 739,802</u>	<u>\$ 284,199</u>	<u>\$(455,603)</u>
Beginning cash balance	<u>\$ 94,619</u>	<u>\$ 94,619</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 284,199	
Change in payables			<u>(87,944)</u>	
Net change in fund balances GAAP basis			<u>\$ 196,255</u>	

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Charges for services	\$ 7,726,200	\$ 7,726,200	\$ 7,480,487	\$(245,713)
Connection charges	63,000	63,000	51,016	(11,984)
Other revenue	<u>32,000</u>	<u>32,000</u>	<u>101,441</u>	<u>69,441</u>
Total operating revenues	<u>7,821,200</u>	<u>7,821,200</u>	<u>7,632,944</u>	<u>(188,256)</u>
Operating Expenses:				
Natural gas purchases	1,050,000	1,475,000	1,603,259	(128,259)
Salaries	1,819,009	1,831,463	1,763,405	68,058
Benefits	699,100	709,069	639,523	69,546
Other operating expense	4,382,734	4,217,984	2,682,446	1,535,538
Payment in lieu of taxes	<u>247,993</u>	<u>247,993</u>	<u>310,561</u>	<u>(62,568)</u>
Total operating expenses excluding non-budgeted expenses	<u>8,198,836</u>	<u>8,481,509</u>	<u>6,999,194</u>	<u>1,482,315</u>
Net operating income excluding non-budgeted expenses	<u>(377,636)</u>	<u>(660,309)</u>	<u>633,750</u>	<u>1,294,059</u>
Non-operating income (deductions):				
Taxes	80,000	80,000	92,389	12,389
Interest income	3,632	3,632	22,830	19,198
Interest expense	(100,815)	(100,815)	(123,526)	(22,711)
Principal expense	(229,154)	(229,154)	-	229,154
Transfers in (out) from other funds	5,000	5,000	(29,566)	(34,566)
Capital grants	<u>1,162,555</u>	<u>1,162,555</u>	<u>82,565</u>	<u>(1,079,990)</u>
Total non-operating income (deductions)	<u>921,218</u>	<u>921,218</u>	<u>44,692</u>	<u>(876,526)</u>
Net income (loss), excluding non-budgeted expenses	<u>543,582</u>	<u>260,909</u>	<u>678,442</u>	<u>417,533</u>
Less non-budgeted expenses:				
Depreciation	<u>-</u>	<u>-</u>	<u>1,172,830</u>	<u>(1,172,830)</u>
Total non-budgeted expenses	<u>-</u>	<u>-</u>	<u>1,172,830</u>	<u>(1,172,830)</u>
Change in net position	<u>\$ 543,582</u>	<u>\$ 260,909</u>	<u>\$(494,388)</u>	<u>\$(755,297)</u>

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

**STATE OF NEW MEXICO
CITY OF SOCORRO
PROPRIETARY FUNDS
DEPARTMENTAL
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Natural Gas</u>	<u>Water</u>	<u>Waste Water</u>
Operating Revenues:			
Charges for services	\$ 3,281,545	\$ 1,597,771	\$ 1,303,649
Connection charges	16,376	28,707	5,933
Other revenue	<u>72,296</u>	<u>6,042</u>	<u>3,200</u>
Total operating revenues	<u>3,370,217</u>	<u>1,632,520</u>	<u>1,312,782</u>
Operating Expenses:			
Natural gas purchases	1,603,259	-	-
Salaries	523,848	505,317	237,417
Benefits	169,968	197,313	90,217
Other operating expense	674,216	820,330	659,570
Depreciation	84,807	236,425	520,956
Payment in lieu of taxes	<u>168,252</u>	<u>77,464</u>	<u>64,845</u>
Total operating expenses	<u>3,224,350</u>	<u>1,836,849</u>	<u>1,573,005</u>
Operating income (loss)	145,867	(204,329)	(260,223)
Non-operating income (deductions):			
Taxes			
Interest income			
Interest expense			
Transfers in (out) from other funds			
Federal grants			
Total non-operating income (deductions)			
Change in net position			
Net position, beginning of year			
Net position, end of year			

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

<u>Solid Waste</u>	<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
\$ 927,363	\$ 344,400	\$ 25,759	\$ 7,480,487
-	-	-	51,016
19,903	-	-	101,441
<u>947,266</u>	<u>344,400</u>	<u>25,759</u>	<u>7,632,944</u>
-	-	-	1,603,259
186,679	263,830	46,314	1,763,405
59,434	96,034	26,557	639,523
185,922	337,910	4,498	2,682,446
56,763	273,879	-	1,172,830
-	-	-	310,561
<u>488,798</u>	<u>971,653</u>	<u>77,369</u>	<u>8,172,024</u>
458,468	(627,253)	(51,610)	<u>(539,080)</u>
			92,389
			22,830
			(123,526)
			(29,566)
			<u>82,565</u>
			<u>44,692</u>
			<u>(494,388)</u>
			<u>14,466,602</u>
			<u>\$ 13,972,214</u>

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FEDERAL COMPLIANCE AND FINDINGS

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**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2014**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency Pass Through - New Mexico Environment Department Drinking Water Improvements & Expansion	66.468	unknown (Includes grant & loan 50/50)	\$ 30,344
U.S. Department of Housing and Urban Development Pass Through - State of New Mexico Department of Finance and Administration CDBG: Drainage Improvements	14.228	12-C-NR-I-G-39	334,759
U.S. Department of Transportation Airport Project	20-106	3-35-0040-012-2013	351,498
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation Public Rural Transportation Grant	20.5	ARRA AIP-3-350040-7	100,698
U.S. Department of Transportation Pass Through - New Mexico Department of Transportation TBS - DWI Blitz	20.608	12-AL-64-096	14,418
U.S. Center for Disease Control Pass Through - New Mexico Department of Health Community Transformation Grant	93.531	PO# 66500-87033	38,238
U.S. Department of Justice Pass Through - New Mexico Children and Youth Families Dept. Juvenile Assistance Grant	16.501	2011-JF-FX-0057	<u>72,478</u>
Total Federal Financial Awards Expenditures			<u>\$ 942,433</u>

Note A - Significant Accounting Policies:

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund the aggregate remaining fund information, and the budgetary comparisons of the general fund of the City of Socorro, New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 24, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Socorro, New Mexico, compliance with the types of compliance requirements OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Socorro, New Mexico's major federal programs for the year ended June 30, 2014. The City of Socorro, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Socorro, New Mexico, complied, in all material respects, with the types of compliance referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

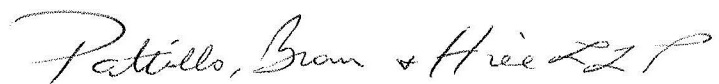
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003 and 2014-004.

The City of Socorro's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Socorro's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in cursive script that reads "Pattillo, Brown & Hill LLP".

Pattillo, Brown & Hill, L.L.P.

Albuquerque, New Mexico

November 24, 2014

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Socorro.
2. No material weaknesses and no significant deficiencies in internal control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Four significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal awards programs for the City of Socorro expresses an unqualified opinion.
6. There were four audit findings relative to the major federal awards programs for the City of Socorro to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs included:
Airport Project Grant, Community Transformation Grant, CDBG Drainage Improvement and Juvenile Assistance Grant.
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

2013-1 Disposal of Property - resolved

2013-2 Mileage Logs - resolved

Current Year

None

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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

Prior Year

None

Current Year

2014-001 A-133 Data Collection Form Submission

2014-002 Cash Management

2014-003 Non Compliance with Federal Labor Standards

2014-004 Reporting

**2014 –001 A-133 Data Collection Form Submission:
(significant deficiency)**

Condition: The required submission due date of the A-133 Data Collection Form report is due to the Federal Clearing House no later than 9 months after the end of the fiscal year or by March 30. The report was processed on April 1, 2014.

Criteria: Per OMB Circular A-133 the single audit data collection form was to be submitted no later than 9 months after the end of the fiscal year.

Effect: Late reporting could impact funding from federal and state sources.

Questioned Costs: None

Cause: The City was unaware of the requirement to process the report within 9 months after the end of their fiscal year.

Recommendation: The City should submit the reports on a timely basis.

Response: Management agrees with the recommendation and will put procedures in place to ensure timely filing in the future.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014 –002 **Cash Management:**
(significant deficiency)

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Community Development Block Grant (CDBG)
CFDA Number:	14.218
Award number	12-C-NR-I-01-G-39

Condition: The City of Socorro is using the three-day rule cash advance for reimbursement. It was noted that reimbursement of funds were deposited into the City’s account on August 15 and September 19, 2013, but were not expended until August 30, and September 26, 2013. Total paid to the contractor was \$253,057.39.

Criteria: Per the 2012 Implementation Manual (Chapter 1, Task #7, Cash Disbursements Journal) and in accordance with U.S. Treasury Circular No. 1075, “...all draws (CDGB funds from HUD through the State of New Mexico) must be expended within three working days of deposit in the bank.”

Effect: Noncompliance may cause the City to pay additional funds by not following proper cash management policies and could jeopardize their ability to receive additional federal funds in the future.

Questioned Costs: None

Cause: During the grant period, the City used South Central Council of Governments (SCCOG) to manage this grant. The City was reliant upon the grant manager and did not perform proper oversight of the grant.

Recommendation: The City should implement additional oversight for grants managed by a grant administrator to insure that all requirements are being performed in a timely manner.

Response: Management agrees with the recommendation and will implement new procedures for to insure that all requirements are being made timely.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

**2014 -003 Non-Compliance with Federal Labor Standards:
(significant deficiency)**

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Community Development Block Grant (CDBG)
CFDA Number:	14.218
Award number	12-C-NR-I-01-G-39

Condition: The grant manager SCCOG was receiving certified payroll reports but it was noted that several classification of construction workers were consistently paid incorrect wage rates, despite the fact that prevailing state and federal wage rates had been obtained in compliance with CDBG and labor standards requirements. The U.S. Department of Labor, Wage and Hour Division (Albuquerque office) performed an investigation and restitution was made to employees totaling \$13,047.11.

Criteria: The Fair Labor Standards provisions of the U.S. Department of Housing and Urban Development HUD4010 (2-84) (HB 1344.1) applies to included in the contract pursuant to the provisions applicable to such Federal assistance.

Effect: Noncompliance may cause the City to pay additional funds by not complying with Fair Labor Standards and could jeopardize their ability to receive additional federal funds in the future.

Questioned Costs: None

Cause: During the grant period, the City used South Central Council of Governments (SCCOG) to manage this grant. Staff turnover at SCCOG was a major factor in the lack of oversight performed by the grant manager.

Recommendation: The City should implement additional oversight for grants managed by a grant administrator to insure that all requirements are being administered per the grant agreement.

Response: Management agrees with the recommendation and will monitor grant administrators to ensure grant compliance.

**STATE OF NEW MEXICO
CITY OF SOCORRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

2014 -004

Reporting:
(significant deficiency)

Federal program information:

Funding agency: U.S. Department of Housing and Urban
Development
Title: Community Development Block Grant (CDBG)
CFDA Number: 14.218
Award number 12-C-NR-I-01-G-39

Condition: The City was required to file periodic Progress Reports that were due each quarter during the grant period. Two reports were filed late reports for 3/31/13 and 6/30/13 were submitted to the LGD project manager until after the project was completed in October 2013.

Criteria: OMB Circular A-133 Compliance Supplement L. Reporting states “ The financial reporting requirements for subrecipients are as specified by the pass-through entity.” The grant agreement with the NM Department of Finance and Administration required Progress Reports to be filed quarter, “in order that the Division may adequately evaluate the progress of the Grant Agreement.”

Effect: Noncompliance may cause the City to pay additional funds and could jeopardize their ability to receive additional federal funds in the future.

Questioned Costs: None

Cause: During the grant period, the City used South Central Council of Governments (SCCOG) to manage this grant. Staff turnover at SCCOG was a major factor in the lack of oversight performed by the grant manager.

Recommendation: The City should implement additional oversight for grants managed by a grant administrator to insure that all requirements are being administered per the grant agreement.

Response: Management agrees with the recommendation and will monitor grant administrators to ensure grant compliance in the future.

**STATE OF NEW MEXICO
CITY OF SOCORRO
OTHER DISCLOSURES
JUNE 30, 2014**

EXIT CONFERENCE

An exit conference was held on November 24, 2014 by Cindy James, CPA of Pattillo, Brown & Hill, L.L.P. with Gordon Hicks, Mayor Pro-Tem, Patrick Salome, Jr, Clerk, Nick Fleming, Councilor, Peter Romero, Councilor and Mable Gonzales, Finance Director, of the City of Socorro. The audit was discussed.

PREPARATION OF FINANCIAL STATEMENTS

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