

State of Texas  
City of Socorro

Annual Financial Report  
For the Year Ended September 30, 2016



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## **INTRODUCTORY SECTION**

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**STATE OF TEXAS**  
City of Socorro  
Annual Financial Report  
September 30, 2016  
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**STATE OF TEXAS**  
City of Socorro  
Official Roster  
September 30, 2016

| <b><u>Name</u></b>                | <b><u>City Council</u></b> | <b><u>Title</u></b>                    |
|-----------------------------------|----------------------------|--|
| Rene Rodriguez                    |                            | Mayor Pro Tem/ At Large Representative |
| Maria Reyes                       |                            | District 1 Representative              |
| Alejandro Garcia                  |                            | District 2 Representative              |
| Victor Perez                      |                            | District 3 Representative              |
| Yvonne Colon-Villalobos           |                            | District 4 Representative              |
| <b><u>City Administration</u></b> |                            |  |
| Adriana Rodarte                   |                            | City Manager                           |
| Charles Casiano, CPA              |                            | Finance Director                       |
| Olivia Navarro                    |                            | City Clerk                             |

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Socorro  
Socorro, Texas

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Socorro, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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. 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 auditors' 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 City'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 and each major fund of the City of Socorro, Texas, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

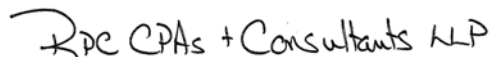
Management has omitted the *Management Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that Schedules I and II on pages 44 – 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and Supporting Schedule III are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and Schedule III have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



RPC CPAs + Consultants, LLP  
June 16, 2017

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF TEXAS**  
City of Socorro  
Statement of Net Position  
September 30, 2016

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Current assets  |                                    |
| Cash and cash equivalents   | \$ 4,060,693                       |
| Investments   | 236,232                            |
| Receivables:  |                                    |
| Property taxes  | 1,345,550                          |
| Other taxes   | 401,786                            |
| Due from other governments  | 70,237                             |
| Other receivables, net  | 292,692                            |
| Inventory   | 5,274                              |
| Prepaid expenses  | 16,385                             |
|   | <hr/>                              |
| <i>Total current assets</i>   | 6,428,849                          |
|   | <hr/>                              |
| Noncurrent assets   |                                    |
| Restricted cash and cash equivalents                                    | 537,873                            |
| Other assets  | 5,000                              |
| Unspent bond proceeds   | 5,467,365                          |
| Bond underwriter discount (net of accumulated amortization of \$36,080) | 152,992                            |
| Capital assets, net of accumulated depreciation                         | 21,292,723                         |
|   | <hr/>                              |
| <i>Total noncurrent assets</i>  | 27,455,953                         |
|   | <hr/>                              |
| <i>Total assets</i>   | 33,884,802                         |
|   | <hr/>                              |
| <b>Deferred outflows of resources</b>                                   |                                    |
| Deferred loss on extinguishment of debt                                 | 331,278                            |
|   | <hr/>                              |
| <i>Total deferred outflows of resources</i>                             | 331,278                            |
|   | <hr/>                              |
| <i>Total assets and deferred outflows of resources</i>                  | \$ 34,216,080                      |
|   | <hr/> <hr/>                        |

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

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Liabilities</b>  |                                    |
| Current liabilities   |                                    |
| Accounts payable  | \$ 476,458                         |
| Accrued payroll   | 107,385                            |
| Accrued expenses  | 9,977                              |
| Accrued interest  | 77,119                             |
| Accrued compensated absences                                | 44,689                             |
| Current portion of bonds payable                            | 925,000                            |
|   | <hr/>                              |
| <i>Total current liabilities</i>                            | <i>1,640,628</i>                   |
|   | <hr/>                              |
| Noncurrent Liabilities                                      |                                    |
| Bonds payable   | 22,145,000                         |
| Bond premium (net of accumulated amortization of \$192,360) | 1,251,932                          |
|   | <hr/>                              |
| <i>Total noncurrent liabilities</i>                         | <i>23,396,932</i>                  |
|   | <hr/>                              |
| <i>Total liabilities</i>                                    | <i>25,037,560</i>                  |
|   | <hr/>                              |
| <b>Net position</b>   |                                    |
| Net investment in capital assets                            | 2,922,426                          |
| Restricted for:   |                                    |
| Debt service  | 422,888                            |
| Special revenue   | 244,932                            |
| Unrestricted  | 5,588,274                          |
|   | <hr/>                              |
| <i>Total net position</i>                                   | <i>9,178,520</i>                   |
|   | <hr/>                              |
| <i>Total liabilities and net position</i>                   | <i>\$ 34,216,080</i>               |
|   | <hr/> <hr/>                        |

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

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**STATE OF TEXAS**  
City of Socorro  
Statement of Activities  
For the Year Ended September 30, 2016

Exhibit A-2

| Functions/Programs                    | Expenses            | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |
|---------------------------------------|---------------------|-------------------------|--|--|--|
|                                       |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions | Governmental<br>Activities                                 |
| <b>Primary Government</b>             |                     |                         |  |  |  |
| General government                    | \$ 1,483,647        | \$ 788,750              | 74,479                                   | \$ 30,016                              | \$ (590,402)   |
| Infrastructure and environmental      | 2,902,650           | 129,195                 | 8,792                                    | 58,725                                 | (2,705,938)  |
| Public safety                         | 3,005,846           | -                       | 726                                      | 60,813                                 | (2,944,307)  |
| Justice system                        | 254,106             | 330,692                 | -  | 5,141                                  | 81,727   |
| Health and human services             | 391,025             | -                       | -  | 7,911                                  | (383,114)  |
| Community and economic<br>development | 416,755             | 6,827                   | 1,123                                    | 8,431                                  | (400,374)  |
| Interest and fiscal charges on debt   | 867,603             | -                       | -  | -                                      | (867,603)  |
| <i>Total governmental activities</i>  | <u>\$ 9,321,632</u> | <u>\$ 1,255,464</u>     | <u>\$ 85,120</u>                         | <u>\$ 171,037</u>                      | (7,810,011)  |

**General Revenues and Special Item:**

Taxes:

|   |                     |
|---|---------------------|
| Property taxes, levied for general purpose                      | 4,838,170           |
| Property taxes, levied for debt service                         | 1,780,978           |
| Sales taxes   | 1,581,611           |
| Franchise taxes, for general purpose                            | 481,846             |
| Franchise taxes, for public, educational and government purpose | 10,602              |
| Other taxes   | 9,442               |
| Investment income   | 4,307               |
| Miscellaneous revenue   | 19,906              |
| Special item - insurance recovery                               | 102,274             |
| Total general revenues and transfers                            | <u>8,829,136</u>    |
| Change in net position  | 1,019,125           |
| Net position - beginning  | <u>8,159,395</u>    |
| <i>Net position - ending</i>                                    | <u>\$ 9,178,520</u> |

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

**STATE OF TEXAS**

City of Socorro

Balance Sheet

Governmental Funds

September 30, 2016

|  | <b>General Fund</b>        | <b>Special Revenue<br/>Fund</b> | <b>Capital Projects<br/>Fund</b> |
|--|----------------------------|---------------------------------|----------------------------------|
| <b>Assets</b>  |                            |                                 |                                  |
| Cash and cash equivalents  | \$ 4,060,693               | \$ 100                          | \$ -                             |
| Restricted cash and cash equivalents   | -                          | 183,153                         | 5,747,287                        |
| Investments  | 236,232                    | -                               | -                                |
| Receivables:   |                            |                                 |                                  |
| Property taxes   | 985,269                    | -                               | -                                |
| Other taxes  | 401,786                    | -                               | -                                |
| Due from other governments   | -                          | 70,237                          | -                                |
| Other receivables, net   | 292,692                    | -                               | -                                |
| Inventory  | 5,274                      | -                               | -                                |
| Prepaid expenses   | 16,385                     | -                               | -                                |
| Due from other funds   | 195,517                    | 106,756                         | 23,489                           |
|  | <hr/>                      | <hr/>                           | <hr/>                            |
| <i>Total assets</i>  | <u><u>\$ 6,193,848</u></u> | <u><u>\$ 360,246</u></u>        | <u><u>\$ 5,770,776</u></u>       |
| <b>Liabilities, deferred inflows of resources,<br/>and fund balances</b>       |                            |                                 |                                  |
| Liabilities  |                            |                                 |                                  |
| Accounts payable   | \$ 175,887                 | \$ 20,649                       | \$ 279,922                       |
| Accrued payroll  | 107,385                    | -                               | -                                |
| Accrued expenses   | 9,977                      | -                               | -                                |
| Due to other funds   | 181,149                    | 128,762                         | 457                              |
|  | <hr/>                      | <hr/>                           | <hr/>                            |
| <i>Total liabilities</i>   | <u>474,398</u>             | <u>149,411</u>                  | <u>280,379</u>                   |
| Deferred inflows of resources  |                            |                                 |                                  |
| Unavailable revenue - grants   | -                          | 39,129                          | -                                |
| Unavailable revenue - property tax   | 661,529                    | -                               | -                                |
| Unavailable revenue - municipal court warrants                                 | 178,486                    | -                               | -                                |
|  | <hr/>                      | <hr/>                           | <hr/>                            |
| <i>Total deferred inflows of resources</i>                                     | <u>840,015</u>             | <u>39,129</u>                   | <u>-</u>                         |
| Fund balances  |                            |                                 |                                  |
| Nonspendable:  |                            |                                 |                                  |
| Inventory  | 5,274                      | -                               | -                                |
| Prepaid expenses   | 16,385                     | -                               | -                                |
| Spendable:   |                            |                                 |                                  |
| Restricted for:  |                            |                                 |                                  |
| Special revenue projects-grants  | -                          | 171,706                         | -                                |
| Capital projects   | -                          | -                               | 5,490,397                        |
| Debt service   | -                          | -                               | -                                |
| Committed to:  |                            |                                 |                                  |
| Minimum fund balance   | 1,240,826                  | -                               | -                                |
| Unassigned   | 3,616,950                  | -                               | -                                |
|  | <hr/>                      | <hr/>                           | <hr/>                            |
| <i>Total fund balances</i>   | <u>4,879,435</u>           | <u>171,706</u>                  | <u>5,490,397</u>                 |
|  | <hr/>                      | <hr/>                           | <hr/>                            |
| <i>Total liabilities, deferred inflows of resources,<br/>and fund balances</i> | <u><u>\$ 6,193,848</u></u> | <u><u>\$ 360,246</u></u>        | <u><u>\$ 5,770,776</u></u>       |

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

| <b>Debt Service Fund</b> | <b>Total</b>         |
|--------------------------|----------------------|
| \$ -                     | \$ 4,060,793         |
| 74,698                   | 6,005,138            |
| -                        | 236,232              |
| 360,281                  | 1,345,550            |
| -                        | 401,786              |
| -                        | 70,237               |
| -                        | 292,692              |
| -                        | 5,274                |
| -                        | 16,385               |
| -                        | 325,762              |
| <u>\$ 434,979</u>        | <u>\$ 12,759,849</u> |
| <br>                     |                      |
| \$ -                     | \$ 476,458           |
| -                        | 107,385              |
| -                        | 9,977                |
| 15,394                   | 325,762              |
| <u>15,394</u>            | <u>919,582</u>       |
| <br>                     |                      |
| -                        | 39,129               |
| 241,900                  | 903,429              |
| -                        | 178,486              |
| <u>241,900</u>           | <u>1,121,044</u>     |
| <br>                     |                      |
| -                        | 5,274                |
| -                        | 16,385               |
| <br>                     |                      |
| -                        | 171,706              |
| -                        | 5,490,397            |
| 177,685                  | 177,685              |
| <br>                     |                      |
| -                        | 1,240,826            |
| -                        | 3,616,950            |
| <u>177,685</u>           | <u>10,719,223</u>    |
| <br>                     |                      |
| <u>\$ 434,979</u>        | <u>\$ 12,759,849</u> |

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

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**STATE OF TEXAS**  
City of Socorro  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
September 30, 2016

Exhibit B-1  
Page 2 of 2

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

|  |                            |
|--|----------------------------|
| Fund balances - total governmental funds   | \$ 10,719,223              |
| Capital assets, net of accumulated depreciation, used in governmental activities<br>are not financial resources and, therefore, are not reported in the funds  | 21,292,723                 |
| Deposit on land purchase   | 5,000                      |
| Items not collected within sixty days after year end are not considered "available"<br>revenues and are considered to be unavailable revenue in the fund financial<br>statements, but are considered revenue in the Statement of Activities: |                            |
| Delinquent property taxes  | 903,429                    |
| Grant reimbursements   | 39,129                     |
| Municipal courts warrants  | 178,486                    |
| Deferred outflows of resources are applicable to future periods and therefore,<br>not reported in the funds:   |                            |
| Deferred loss on extinguishment of debt  | 331,278                    |
| Certain liabilities, including bonds payable, are not due and payable in the current<br>period and, therefore, are not reported in the funds:  |                            |
| Accrued interest payable   | (77,119)                   |
| Accrued compensated absences   | (44,689)                   |
| Bond underwriter discount, net   | 152,992                    |
| Bond premium, net  | (1,251,932)                |
| Bonds payable  | <u>(23,070,000)</u>        |
| <i>Net position - governmental activities</i>  | <u><u>\$ 9,178,520</u></u> |

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

**STATE OF TEXAS**  
City of Socorro  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2016

|  | <b>General Fund</b> | <b>Special Revenue Fund</b> | <b>Capital Projects Fund</b> |
|--|---------------------|-----------------------------|------------------------------|
| <i>Revenues</i>  |                     |                             |                              |
| Taxes:   |                     |                             |                              |
| Property   | \$ 4,938,052        | \$ -                        | \$ -                         |
| Sales  | 1,581,611           | -                           | -                            |
| Franchise  | 481,846             | 10,602                      | -                            |
| Other  | -                   | 9,442                       | -                            |
| Planning and zoning fees                                 | 441,659             | -                           | -                            |
| Charges for services                                     | 10,155              | -                           | -                            |
| Municipal court fines and fees                           | 620,707             | 4,457                       | -                            |
| Intergovernmental:                                       |                     |                             |                              |
| Federal operating grants                                 | -                   | 35,350                      | -                            |
| Federal capital grants                                   | -                   | 171,037                     | -                            |
| State operating grants                                   | 726                 | 9,915                       | -                            |
| Investment income (loss)                                 | 1,176               | -                           | 3,710                        |
| Miscellaneous  | 16,708              | 248                         | -                            |
| <i>Total revenue</i>                                     | <u>8,092,640</u>    | <u>241,051</u>              | <u>3,710</u>                 |
| <i>Expenditures</i>                                      |                     |                             |                              |
| Current:   |                     |                             |                              |
| General government                                       | 1,320,985           | 156,244                     | -                            |
| Infrastructure and environmental                         | 2,291,747           | -                           | 10,395                       |
| Public safety  | 2,779,391           | 112,233                     | -                            |
| Justice system   | 251,321             | 30                          | -                            |
| Health and human services                                | 391,025             | -                           | -                            |
| Community and economic development                       | 357,373             | 1,243                       | -                            |
| Capital outlay   | 51,627              | 34,345                      | 2,155,642                    |
| Debt service:  |                     |                             |                              |
| Principal  | -                   | -                           | -                            |
| Interest   | -                   | -                           | -                            |
| Bond issuance costs                                      | -                   | -                           | -                            |
| <i>Total expenditures</i>                                | <u>7,443,469</u>    | <u>304,095</u>              | <u>2,166,037</u>             |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>649,171</u>      | <u>(63,044)</u>             | <u>(2,162,327)</u>           |
| <i>Other financing sources (uses)</i>                    |                     |                             |                              |
| Proceeds of refunding bonds                              | -                   | -                           | -                            |
| Payment to refunded bond escrow agent                    | -                   | -                           | -                            |
| Premium on bond refunding                                | -                   | -                           | -                            |
| Discount on bond refunding                               | -                   | -                           | -                            |
| Insurance recovery                                       | 102,274             | -                           | -                            |
| <i>Total other financing sources (uses)</i>              | <u>102,274</u>      | <u>-</u>                    | <u>-</u>                     |
| <i>Net change in fund balances</i>                       | 751,445             | (63,044)                    | (2,162,327)                  |
| <i>Fund balance - beginning as originally stated</i>     | 4,112,045           | 250,695                     | 7,652,724                    |
| <i>Fund balance - restatement (note 16)</i>              | <u>15,945</u>       | <u>(15,945)</u>             | <u>-</u>                     |
| <i>Fund balance - beginning as restated</i>              | <u>4,127,990</u>    | <u>234,750</u>              | <u>7,652,724</u>             |
| <i>Fund balances - end of year</i>                       | <u>\$ 4,879,435</u> | <u>\$ 171,706</u>           | <u>\$ 5,490,397</u>          |

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

| <b>Debt Service Fund</b> | <b>Total</b>         |
|--------------------------|----------------------|
| \$ 1,807,349             | \$ 6,745,401         |
| -                        | 1,581,611            |
| -                        | 492,448              |
| -                        | 9,442                |
| -                        | 441,659              |
| -                        | 10,155               |
| -                        | 625,164              |
| -                        | 35,350               |
| -                        | 171,037              |
| -                        | 10,641               |
| (579)                    | 4,307                |
| 2,950                    | 19,906               |
| <u>1,809,720</u>         | <u>10,147,121</u>    |
| -                        | 1,477,229            |
| -                        | 2,302,142            |
| -                        | 2,891,624            |
| -                        | 251,351              |
| -                        | 391,025              |
| -                        | 358,616              |
| -                        | 2,241,614            |
| 950,000                  | 950,000              |
| 863,969                  | 863,969              |
| 60,702                   | 60,702               |
| <u>1,874,671</u>         | <u>11,788,272</u>    |
| <u>(64,951)</u>          | <u>(1,641,151)</u>   |
| 3,510,000                | 3,510,000            |
| (3,765,529)              | (3,765,529)          |
| 346,496                  | 346,496              |
| (27,202)                 | (27,202)             |
| -                        | 102,274              |
| <u>63,765</u>            | <u>166,039</u>       |
| (1,186)                  | (1,475,112)          |
| 178,871                  | 12,194,335           |
| -                        | -                    |
| <u>178,871</u>           | <u>12,194,335</u>    |
| <u>\$ 177,685</u>        | <u>\$ 10,719,223</u> |

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

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**STATE OF TEXAS**

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 September 30, 2016

Exhibit B-2

Page 2 of 2

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

|  |    |             |
|--|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (1,475,112) |
|--|----|-------------|

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:

|                      |  |           |
|----------------------|--|-----------|
| Capital expenditures |  | 2,241,614 |
| Depreciation expense |  | (804,404) |

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

|  |  |          |
|--|--|----------|
| Change in unavailable revenue related to property taxes  |  | (10,137) |
| Change in unavailable revenue related to municipal court |  | 62,370   |
| Change in unavailable revenue related to grants          |  | 39,129   |

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

|  |  |             |
|--|--|-------------|
| Current year amortization of bond premium              |  | 66,274      |
| Current year amortization of bond underwriter discount |  | (9,206)     |
| Proceeds of refunding bonds                            |  | (3,510,000) |
| Payment to refunded bond escrow agent                  |  | 3,765,529   |
| Bond premium capitalized                               |  | (346,496)   |
| Bond discount capitalized                              |  | 27,202      |
| Decrease in accrued compensated absences               |  | 22,362      |
| Principal payments on bonds                            |  | 950,000     |

|  |           |                         |
|--|-----------|-------------------------|
| <i>Change in net position of governmental activities</i> | <i>\$</i> | <u><u>1,019,125</u></u> |
|--|-----------|-------------------------|

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

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies**

The City of Socorro, Texas (the City) operates under a Home Rule City with five council members and a Mayor. The Mayor and one council member are elected at large and the remaining four council members are elected in single-member Districts. By ordinance, the City is required to have a City Manager. The City provides general services, public safety, public works, public health, community and economic development, court services and community development.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City'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.

For the year ended September 30, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

**A. Financial Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, No. 39, and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion 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.

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 does not have any component units required to be reported under GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61.

**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 revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. There are no business-type activities conducted by the City.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*B. Government-wide and fund financial statements (Continued)*

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

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

Major individual governmental 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*. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects (of which there are none). Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation (Continued)*

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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.

During 2016, the City re-evaluated the functions of the government, which are reflected throughout the financial statements.

Under the requirements of GASB Statement No. 34, the City is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *General Fund* is the government'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 *Special Revenue Fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Contract revenue is recognized when compliance with the various contract requirements is achieved. Usually this occurs at the time expenditures are made and the contract matching requirements are met. Contract revenues received before the revenue recognition has been met are reported as unearned revenue, liability account. When the revenue recognition has been met, contract revenue not yet received is reported as accounts receivable.

The *Capital Projects Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Debt Service Fund is used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in the future years are also reported in the debt service fund.

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position*

**Deposits and Investments:** The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, repurchase agreements, passbook, bankers' acceptances, and other available bank investments, provided that approved securities are pledged in an amount equal to 102% of the amount of funds on deposit.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)*

Restricted cash represents certain unexpended long-term debt funding restricted for specific capital projects and special revenue projects.

The City is required by Governmental Code Chapter 2256, Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for Certificate of Deposit. The City has not adopted an investment policy.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City periodically evaluates the collectability of its accounts receivable. An allowance is set up for some accounts which the City believes may be uncollectible over time. Accounts deemed uncollectible are written off at that time. The City is in the process of evaluating their allowance policy in order to adequately reflect the receivables they deem to be collectible. In the government-wide and governmental fund financial statements. Delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectable amounts.

Property taxes are levied on October 1st in conformity with Subtitle E, Texas Property Code. Property taxes uncollected after February 1st are considered delinquent. The taxes attach as an enforceable lien on property as of July 1st of the next year to secure the payment of all taxes, penalties, and interest ultimately imposed. The El Paso Central Appraisal City assesses and collects property taxes for the City. The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas.

**Inventory:** The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of gas inventory. The cost of purchased gas is recorded as an expenditure at the time the City utilizes the gas.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)*

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Impairment of assets takes place when the fair value of the long-term asset is below its book (carrying) value. The impairment loss is recorded only when the carrying value of the asset is not recoverable and exceeds its fair value. The City does not have any impaired assets as of September 30, 2016.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>                          | <u>Years</u> |
|--|--------------|
| Buildings, structures and improvements | 39-40        |
| Machinery and equipment                | 5            |
| Vehicles                               | 5            |
| Office furniture and equipment         | 5-7          |
| Software                               | 3            |
| Infrastructure                         | 22-45        |
| Leasehold improvements                 | 39           |

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has one item that qualifies for reporting in this category, deferred loss on extinguishment of debt in the amount of \$331,278. This item is reported in the Statement of Net Position.

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2016, along with applicable Nationwide Retirement Solution (NRS), FICA, and Medicare payable.

**Compensated Absences:** The City's leave policy allows paid time off to regular full time employees depending on length of service. Calculation is based on a "benefit year" which is the twelve-month period that begins when an employee starts earning paid time off. The maximum accrual to be carried-over to the next fiscal year is 40 hours (October 1 through September 30). Employees who exceed the 40 hours carry over to the next fiscal year will lose the excess accrued hours. Sick leave will not be paid out upon termination.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)*

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. For bonds issued after GASB 34 was implemented, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. For fund financial reporting, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as an other financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has three types of items which arise under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, these items, property taxes, grants, and municipal court warrants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The City has recorded \$903,429 related to property taxes, \$39,129 related to grants, and \$178,486 related to municipal court warrants.

**Deferred Compensation:** All City employees are eligible to participate in the City's Deferred Compensation Plan (the "Plan") adopted under the provisions of the Internal Revenue Code 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The Plan is administered by Nationwide Retirement Solutions and is a defined contribution plan. Under the terms of the Plan, employees may contribute up to the 10% of their earnings into an annuity contract. The City matched 5% of the participants' contribution into the Plan. The City's contribution into the Plan for the fiscal year ended September 30, 2016 totaled \$56,527 and the employees contributed \$62,626.

**Fund Balance Classification Policies and Procedures:** In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable fund balance classification are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted fund balance should be reported when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)*

For committed fund balance, the City's highest level of decision-making authority is the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

For assigned fund balance, the City Council or the City Manager is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance:** At September 30, 2016, the nonspendable fund balance in the funds was made up of inventory and prepaid expenses in the amount \$5,274 and \$16,385, respectively, which are not in spendable form.

**Restricted and Committed Fund Balance:** At September 30, 2016, the restricted fund balance on the governmental funds balance sheet is made up of \$171,706 which represents funding under grants and other City projects that is restricted by outside sources for special purposes, \$5,490,397, which represents funds restricted by outside sources for capital projects at the City, and \$177,685, which is restricted for debt service.

**Minimum Fund Balance Policy:** In fiscal year 2011, the City adopted a minimum fund balance policy for the General Fund. The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 16.67% of expenditures. The City considers a balance of less than 8.34% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance. Minimum fund balance for the general fund as of September 30, 2016 is \$1,240,826, which is considered to be committed fund balance.

**Net Position:** Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City had \$5,747,287 in unspent bond proceeds as of September 30, 2016.
- b. Restricted net position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.



**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)*

- c. Unrestricted net position: All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates presented in the City’s financial statements are the allowances for uncollectible receivables and the remaining useful lives on capital assets.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

Per the Texas Constitution, the budget officer of the City shall prepare each year a budget to cover the proposed expenditures of the municipal government for the year. The City Council officially adopts the annual budget ordinance and all project ordinances and has the authority to amend such ordinances. All budgets are prepared on the modified accrual basis of accounting as required by Texas Law.

The budgetary process is prescribed by provisions of Title 4, Chapter 102 of the Local Government Code of the Texas legislature and requires the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by resolution of the City Council. All funds are required to be budgeted and appropriated. The level of budgetary control is at the fund level for the City. Any budgetary modifications at this level may only be made by resolution of the City Council. Under the City’s By-Laws, revenues not specifically related to a particular fund shall be deposited into the City’s General Fund. Monies can only be transferred from the General Fund by resolution of the City Council.

As part of the City’s budgetary process, the City Council approves the official estimated resources. The official estimated resources states the projected revenue of each fund. Prior to September 30, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources is amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if the City Council determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2016.

An annual appropriation resolution must be passed by September 15 of the preceding year for the period October 1 to September 30. The appropriation resolution fixes spending authority at the fund and department level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and objects within a fund may be modified during the year only by a resolution of the City Council. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriations in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as final budgeted amounts in the schedules of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 2. Stewardship, Compliance and Accountability (Continued)**

*Budgetary Information (Continued)*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

**NOTE 3. Deposits**

The City's investment policy allows for investments in obligations of the United States, its agencies and instrumentalities; certificates of deposits issued by state or national banks domiciled in the state of Texas; fully collateralized direct repurchase agreements with defined termination dates; money market mutual funds that are registered and regulated by the Securities and Exchange Commission, have dollar weighted average stated maturity of 90 days or less, are rated AAA by at least one nationally recognized rating service and seek to maintain a net assets value of \$1 per share; and local government investment pools as allowed by the Texas Public Funds Investment Act.

In accordance with state law, investments in investment pools must be rated at least AAA by at least one nationally recognized rating service. In accordance with state law, the City does not purchase any investments with maturities greater than two years.

LOGIC is an AAA rated investment program tailored to meet the needs of local governments in Texas. LOGIC is not registered with the Securities and Exchange Commission (SEC) as an investment company. LOGIC securities are authorized in accordance with the Texas Public Funds Investment Act. LOGIC is carried at amortized cost which approximates fair value.

All of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires all deposits in excess of \$100,000 to be 102% collateralized by obligations of the United States or its agents or instrumentalities. At September 30, 2016, \$9,658,635 of the City's balance of \$10,158,635 was exposed to custodial risk. Although the \$9,658,635 was uninsured, it was collateralized by collateral held by pledging bank's trust department, not in the City's name. None of the City's deposits were uninsured and uncollateralized at September 30, 2016.

|  | <u><b>Wells Fargo</b></u> |
|--|---------------------------|
| Amount of deposits   | \$ 10,158,635             |
| FDIC Coverage  | <u>(500,000)</u>          |
| Total uninsured public funds   | <u>9,658,635</u>          |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name | <u>9,658,635</u>          |
| Uninsured and uncollateralized   | <u><u>\$ -</u></u>        |

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 3. Deposits (Continued)**

The types of collateral are limited to direct obligations of the United States Government and all bonds issued by any agency, City, or political subdivision of the State of Texas.

**Reconciliation of Cash and Cash Equivalents**

|  |                                 |
|--|---------------------------------|
| Cash and cash equivalents per Exhibit A-1            | \$ 4,060,693                    |
| Restricted cash and cash equivalents per Exhibit A-1 | 257,951                         |
| Unspent bond proceeds per Exhibit A-1                | 5,747,287                       |
| Investments per Exhibit A-1                          | <u>236,232</u>                  |
| <br>Total cash, cash equivalents, and investments    | <br><u>10,302,163</u>           |
| <br>Add: outstanding checks                          | <br>100,173                     |
| Less: deposits in transit                            | (6,219)                         |
| Less: petty cash                                     | (1,250)                         |
| Less: investment in 1st National CD                  | (88,565)                        |
| Less: investment in Logic                            | <u>(147,667)</u>                |
| <br>Bank balance of deposits                         | <br><u><u>\$ 10,158,635</u></u> |

*Interest Rate Risk- Investments.* Interest rate risk is the potential for a decline in market value due to rising interest rates. For example, a bond or other security is guaranteed only as to the timely payment of interest and principal; its market price is not guaranteed. Bonds issued by the United States government and corporations will fluctuate in value as interest rates change. In general, the market value of a bond varies inversely with interest rates. If interest rates rise, prices generally fall; if interest rates fall, prices generally rise. In addition, for a given change in interest rates, longer-maturity bonds typically fluctuate more in price (gaining or losing more in value) than short-maturity bonds. To compensate investors for this risk, longer-maturity bonds generally offer higher yields than shorter-maturity bonds, all other factors, including credit quality, being equal.

*Credit Risk – Investments.* Credit risk is the possibility that the issuer of a bond or other security will fail to make timely payments of interest or principal. Generally, the greater the credit risk, the higher the yield, all other factors being equal. Direct United States Treasury obligations are generally considered to have the lowest credit risk among securities.

*Concentration of Credit Risk – Investments.* For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in Logic and 1<sup>st</sup> National CD represent 37% and 63%, respectively, of the investment portfolio. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 4. Receivables**

Governmental fund receivables as of September 30, 2016, are as follows:

|  | <b>General<br/>Fund</b> | <b>Special<br/>Revenue Fund</b> | <b>Debt<br/>Service Fund</b> | <b>Total</b>        |
|--|-------------------------|---------------------------------|------------------------------|---------------------|
| Property taxes   | \$ 985,269              | \$ -                            | \$ 360,281                   | \$ 1,345,550        |
| Other taxes:   |                         |                                 |                              |                     |
| Sales taxes  | 285,135                 | -                               | -                            | 285,135             |
| Franchise taxes  | 116,651                 | -                               | -                            | 116,651             |
| Due from other governments   | -                       | 70,237                          | -                            | 70,237              |
| Other Receivables:   |                         |                                 |                              |                     |
| Miscellaneous  | 1,796                   | -                               | -                            | 1,796               |
| Municipal court warrants   | 4,751,690               | -                               | -                            | 4,751,690           |
| Less: Allowance for doubtful accounts<br>related to Municipal Court Warrants | (4,460,794)             | -                               | -                            | (4,460,794)         |
| Total other receivables  | <u>292,692</u>          | <u>-</u>                        | <u>-</u>                     | <u>292,692</u>      |
| Total net receivables  | <u>\$ 1,679,747</u>     | <u>\$ 70,237</u>                | <u>\$ 360,281</u>            | <u>\$ 2,110,265</u> |

In accordance with GASB No. 33, property tax revenues in the amount of \$903,429, grant revenues in the amount of \$39,129, and municipal court warrants revenues in the amount of \$178,486 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements.

During the fiscal year ending September 30, 2016, the City determined that municipal court warrants should not be included in the Special Revenue Fund. The City restated fund balance during the year to adjust for this change. See note 16.

**NOTE 5. Interfund Receivables and Payables**

The City records temporary interfund receivables and payables to enable the funds to operate until reimbursements are received. The composition of interfund balances during the year ended September 30, 2016 is as follows:

| <b>Governmental Activities</b> | <b>Due from other<br/>funds</b> | <b>Due to other<br/>funds</b> |
|--------------------------------|---------------------------------|-------------------------------|
| General Fund                   | \$ 195,517                      | \$ 181,149                    |
| Special Revenue Fund           | 106,756                         | 128,762                       |
| Capital Projects Fund          | 23,489                          | 457                           |
| Debt Service Fund              | <u>-</u>                        | <u>15,394</u>                 |
| Total                          | <u>\$ 325,762</u>               | <u>\$ 325,762</u>             |

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 6. Capital Assets**

The following is a summary of capital assets and changes occurring for governmental activities during the year ended September 30, 2016. Land and construction in progress are not subject to depreciation.

|  | <b>Balance<br/>September 30,<br/>2015</b> | <b>Additions</b>    | <b>Deletions</b>      | <b>Balance<br/>September<br/>30, 2016</b> |
|--|---|---------------------|-----------------------|---|
| Capital assets not being depreciated:      |   |                     |                       |   |
| Land                                       | \$ 2,110,399                              | \$ 207,660          | \$ -                  | \$ 2,318,059                              |
| Construction in progress                   | 3,771,605                                 | 898,898             | (1,822,228)           | 2,848,275                                 |
| Total capital assets not being depreciated | 5,882,004                                 | 1,106,558           | (1,822,228)           | 5,166,334                                 |
| Capital assets being depreciated:          |   |                     |                       |   |
| Building, structures, and improvements     | 1,676,420                                 | 7,801               | -                     | 1,684,221                                 |
| Machinery and equipment                    | 1,940,263                                 | 8,740               | -                     | 1,949,003                                 |
| Vehicles                                   | 1,605,230                                 | 187,709             | -                     | 1,792,939                                 |
| Office furniture and equipment             | 428,897                                   | 10,089              | -                     | 438,986                                   |
| Software                                   | 55,378                                    | -                   | -                     | 55,378                                    |
| Infrastructure                             | 19,385,910                                | 2,742,945           | -                     | 22,128,855                                |
| Leasehold improvements                     | 212,942                                   | -                   | -                     | 212,942                                   |
| Total capital assets being depreciated     | 25,305,040                                | 2,957,284           | -                     | 28,262,324                                |
| Total capital assets                       | 31,187,044                                | 4,063,842           | (1,822,228)           | 33,428,658                                |
| Less accumulated depreciation:             |   |                     |                       |   |
| Building, structures, and improvements     | 496,971                                   | 46,517              | -                     | 543,488                                   |
| Machinery and equipment                    | 1,388,352                                 | 162,441             | -                     | 1,550,793                                 |
| Vehicles                                   | 1,336,335                                 | 128,258             | -                     | 1,464,593                                 |
| Office furniture and equipment             | 304,821                                   | 53,930              | -                     | 358,751                                   |
| Software                                   | 55,378                                    | -                   | -                     | 55,378                                    |
| Infrastructure                             | 7,655,096                                 | 408,241             | -                     | 8,063,337                                 |
| Leasehold improvements                     | 94,578                                    | 5,017               | -                     | 99,595                                    |
| Total accumulated depreciation             | 11,331,531                                | 804,404             | -                     | 12,135,935                                |
| Total capital assets, net of depreciation  | <u>\$ 19,855,513</u>                      | <u>\$ 3,259,438</u> | <u>\$ (1,822,228)</u> | <u>\$ 21,292,723</u>                      |

Depreciation expense for the year ended September 30, 2016 was charged to the functions of the governmental activities as follows:

|                                    |                   |
|------------------------------------|-------------------|
| General government                 | \$ 28,781         |
| Justice system                     | 2,755             |
| Public safety                      | 114,222           |
| Community and economic development | 58,139            |
| Infrastructure and environment     | 600,507           |
| Total depreciation expense         | <u>\$ 804,404</u> |

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 7. Long-term Debt**

During the year ended September 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

|                      | <b>Balance<br/>September 30,<br/>2015</b> | <b>Additions</b>    | <b>Retirements</b>  | <b>Balance<br/>September 30,<br/>2016</b> | <b>Due Within<br/>One Year</b> |
|----------------------|---|---------------------|---------------------|---|--------------------------------|
| Bonds                | \$ 24,010,000                             | \$ 3,510,000        | \$ 4,450,000        | \$ 23,070,000                             | \$ 925,000                     |
| Compensated Absences | 67,051                                    | 83,259              | 105,621             | 44,689                                    | 44,689                         |
| Total long-term debt | <u>\$ 24,077,051</u>                      | <u>\$ 3,593,259</u> | <u>\$ 4,555,621</u> | <u>\$ 23,114,689</u>                      | <u>\$ 969,689</u>              |

Bonds outstanding at September 30, 2016 consisted of the following:

On June 9, 2016, the City issued a \$3,510,000 General Obligations Refunding Bond (Series 2016) with an interest rate of 2.00% to 4.00% to refund \$3,500,000 of outstanding 2008 Combination Tax and Revenue bonds. The net refunding proceeds of \$3,765,529 (Issuance plus bond premium of \$356,559 minus bond expenditures of \$101,030) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with U.S. Bank National Association (the escrow agent) to provide for designated future debt service payments on the 2008 Series bond. As a result, the 2008 Series bond is considered to be partially defeased and the liability for the defeased portion has been removed from the government-wide financial statement of net position. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$331,278, which is reported as a deferred outflow on the government-wide statement of net position. The Combination Tax and Revenue Bond, Series 2008 has a remaining balance of \$540,000 which matures September 2018 with an interest rate of 2.25% to 4.70% and is payable semiannually on March 1 and September 1. The balance remaining at September 30, 2016 for the General Obligation Refunding Bonds, Series 2016 is \$3,460,000.

In 2010, the City issued General Obligation Refunding Bonds, Series 2010 maturing March 2030. The proceeds of the Series 2010 bonds were used to refund a portion of the City's outstanding debt, including all of the maturities of the Series 1999 bonds, Series 2001 bonds, Series 2004 bonds, and to pay the costs of issuing the Series 2010 bonds. This bond matures March 2024. The purpose of such refunding was to lower overall debt service requirements related to the refunded obligations. In the same offering, the City issued Combination Tax and Revenue Certificate of Obligations, Series 2010. The Series 2010 bonds are dated October 14, 2010. Interest on the bonds, with a floor of 2.00% and a ceiling of 4.00%, is payable semi-annually on March 1 and September 1 of each year. The balance due for the General Obligation Refunding Bonds, Series 2010 and the Combination Tax and Revenue Certificate of Obligations, Series 2010 at September 30, 2016 were \$980,000 and \$2,595,000, respectively.

In 2011, the City issued Combination Tax and Revenue Bonds, Series 2011. The original date of issue was September, 2011. Interest on the bonds ranges from 2.00% to 4.25% and is payable semiannually on March 1 and September 1 of each year beginning March 1, 2012. The balance due for this bond at September 30, 2016 is \$2,325,000. This bond matures March 2031.

In 2012, the City issued Combination Tax and Revenue Bonds, Series 2012. The original date of issue was August, 2012. Interest on the bonds ranges from 2.00% to 3.50% and is payable semiannually on March 1 and September 1 of each year beginning March 1, 2013. The balance due for this bond at September 30, 2016 is \$4,375,000. This bond matures March 2032.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 7. Long-term Debt (Continued)**

In 2014, the City issued Combination Tax and Revenue Bonds, Series 2014. The original date of issue was July 2014. Interest on the bonds ranges from 2.00% to 5.00% and is payable semiannually on March 1 and September 1 of each year beginning March 1, 2015. The balance due for this bond at September 30, 2016 is \$8,795,000. This bond matures March 2034.

The annual requirements to amortize the Bonds Payable as of September 30, 2016, including interest payments is as follows:

| <b>Fiscal Year<br/>Ending September 30,</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total Debt<br/>Service</b> |
|---|----------------------|---------------------|-------------------------------|
| 2017  | \$ 925,000           | \$ 994,636          | \$ 1,919,636                  |
| 2018  | 955,000              | 968,086             | 1,923,086                     |
| 2019  | 1,000,000            | 787,163             | 1,787,163                     |
| 2020  | 1,030,000            | 759,688             | 1,789,688                     |
| 2021  | 1,060,000            | 729,564             | 1,789,564                     |
| 2022-2026                                   | 5,865,000            | 3,076,778           | 8,941,778                     |
| 2027-2031                                   | 7,165,000            | 1,857,021           | 9,022,021                     |
| 2032-2034                                   | 5,070,000            | 376,438             | 5,446,438                     |
|   | <u>\$ 23,070,000</u> | <u>\$ 9,549,374</u> | <u>\$ 32,619,374</u>          |

**Operating Leases:** There were no significant operating leases for the year ended September 30, 2016.

**NOTE 8. 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 and natural disasters.

During the fiscal year September 30, 2016, the City purchased commercial insurance with Texas Municipal League Intergovernmental Risk Pool to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

**NOTE 9. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. There were no funds that reflected a deficit fund balance as of September 30, 2016.
- B. As of September 30, 2016, the Debt Service Fund exceeded approved budgetary authority in the amount of \$68,951.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 10. Joint Powers Agreements**

The City's police department entered into a contract with the Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HIS), Office of the Special Agent in Charge for El Paso, Texas for the purpose of the reimbursement costs incurred by the City of Socorro Police Department in providing resources to joint operations task force. This agreement remains in force unless explicitly terminated, in writing, by either party. Both parties are responsible in this agreement. The maximum reimbursement entitlement for overtime worked on behalf of the joint investigation is set at \$15,000 per officer per year.

The City entered into a MOU contract with the Socorro County Independent School City for the purpose of providing access to the Texas Law Enforcement Communications System, the Texas Crime Information Center, and the National Crime Information Center, and associated systems 24 hours a day, 7 days a week. Agreement can be canceled by either party with a 30 day written notice.

The City entered into an agreement with the City of El Paso, El Paso County, the City of Anthony, and the City of Horizon, for the purpose of supporting overtime, per diem, and lodging for operational purposes of the Operation Stonegarden. In addition the purpose of this agreement is to enhance border security and enhance cooperation and coordination between Federal, State and Local law enforcement agencies in a joint mission to secure U.S borders. Total amount of contract between parties are \$2,323,001.

The City entered into a contract with the Lower Valley Water City for the purpose of providing certain services relating to the operation of the sewage facilities to provide the citizens of Socorro adequate public health protection and a minimum of environmental pollution.

The City entered into a contract with the County of El Paso on behalf of the El Paso County Rural Transit for the purpose of operating a public rural transit bus system in the City. Under the terms of the contract, the City is required to pay \$5,000 to share in the cost of operation. The contract is automatically renewed every year with the agreement that either party can terminate the contract at any time.

**NOTE 11. Contingent Liabilities**

The City is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City and, therefore, no liability was accrued at September 30, 2016.

**NOTE 12. Commitments**

The City has various construction projects in process as of September 30, 2016. There are numerous contracts with material amounts committed for these projects; however, the amounts cannot be quantified by the City as of September 30, 2016.

**NOTE 13. Restricted Net Position**

The government-wide statement of net position reports \$2,566,272 of restricted net position, all of which is restricted by enabling legislation.

**NOTE 14. Subsequent Events**

The date to which events occurring after September 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is June 16, 2017, which is the date on which the financial statements were issued.



**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 15. Concentrations**

The City depends on financial resources flowing from, or associated with, the constituents of the City, El Paso County, and the State of Texas. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**NOTE 16. Restatements**

During the fiscal year ending September 30, 2016, the City had a restatement in the amount of \$15,945 and \$(15,945) for the General Fund and the Special Revenue Fund, respectively. The restatement was due to incorrectly reported revenue related to the municipal court warrants.

**NOTE 17. Subsequent Pronouncements**

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the City.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the City's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended September 30, 2018. This pronouncement will not affect the City's financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended September 30, 2017. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The provision of this statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*, was issued. Effective Date: The provision of this statement are effective for financial statements for periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for financial for periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units, an amendment to Certain Provisions of GASB Statement No. 14*, was issued. Effective Date: The provision of this statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

**STATE OF TEXAS**  
City of Socorro  
Notes to the Financial Statements  
September 30, 2016

**NOTE 17. Subsequent Pronouncements (Continued)**

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City does not expect the pronouncement to have a material effect on the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The City does not expect the pronouncement to have a material effect on the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## STATE OF TEXAS

Schedule I

City of Socorro

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended September 30, 2016

|  | <b>Budgeted Amounts</b> |                  | <b>Actual</b>       | <b>Variances<br/>Favorable<br/>(Unfavorable)<br/>Final to Actual</b> |
|--|-------------------------|------------------|---------------------|--|
|  | <b>Original</b>         | <b>Final</b>     |                     |  |
| <i>Revenues</i>  |                         |                  |                     |  |
| Taxes:   |                         |                  |                     |  |
| Property   | \$ 4,778,262            | \$ 4,778,262     | \$ 4,938,052        | \$ 159,790   |
| Sales  | 1,700,000               | 1,700,000        | 1,581,611           | (118,389)  |
| Franchise  | 319,000                 | 319,000          | 481,846             | 162,846  |
| Planning and zoning fees                                 | 314,500                 | 314,500          | 441,659             | 127,159  |
| Charges for services                                     | 5,000                   | 5,000            | 10,155              | 5,155  |
| Municipal court fines and fees                           | 560,000                 | 560,000          | 620,707             | 60,707   |
| Intergovernmental income:                                |                         |                  |                     |  |
| State operating grants                                   | 24,000                  | 24,000           | 726                 | (23,274)   |
| Investment income  | 1,200                   | 1,200            | 1,176               | (24)   |
| Miscellaneous  | 302,196                 | 302,196          | 16,708              | (285,488)  |
| <i>Total revenues</i>                                    | <u>8,004,158</u>        | <u>8,004,158</u> | <u>8,092,640</u>    | <u>88,482</u>  |
| <i>Expenditures</i>                                      |                         |                  |                     |  |
| Current:   |                         |                  |                     |  |
| General government                                       | 1,531,213               | 1,642,592        | 1,320,985           | 321,607  |
| Infrastructure and environmental                         | 2,370,463               | 2,406,935        | 2,291,747           | 115,188  |
| Public safety  | 3,028,608               | 2,856,862        | 2,779,391           | 77,471   |
| Justice system   | 263,428                 | 265,519          | 251,321             | 14,198   |
| Health and human services                                | 484,279                 | 484,279          | 391,025             | 93,254   |
| Community and economic development                       | 326,167                 | 347,971          | 357,373             | (9,402)  |
| Capital outlay   | -                       | -                | 51,627              | (51,627)   |
| Debt service:  |                         |                  |                     |  |
| Principal  | -                       | -                | -                   | -  |
| Interest   | -                       | -                | -                   | -  |
| <i>Total expenditures</i>                                | <u>8,004,158</u>        | <u>8,004,158</u> | <u>7,443,469</u>    | <u>560,689</u>   |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>                | <u>-</u>         | <u>649,171</u>      | <u>649,171</u>   |
| <i>Other financing sources (uses)</i>                    |                         |                  |                     |  |
| Designated cash (budgeted increase in cash)              | -                       | -                | -                   | -  |
| Insurance recovery                                       | -                       | -                | 102,274             | 102,274  |
| <i>Total other financing sources (uses)</i>              | <u>-</u>                | <u>-</u>         | <u>102,274</u>      | <u>102,274</u>   |
| <i>Net change in fund balance</i>                        | <u>-</u>                | <u>-</u>         | <u>751,445</u>      | <u>751,445</u>   |
| <i>Fund balance - beginning of year</i>                  | <u>-</u>                | <u>-</u>         | <u>4,112,045</u>    | <u>4,112,045</u>   |
| <i>Fund balance - restatement</i>                        | <u>-</u>                | <u>-</u>         | <u>15,945</u>       | <u>15,945</u>  |
| <i>Fund balance - beginning as restated</i>              | <u>-</u>                | <u>-</u>         | <u>4,127,990</u>    | <u>4,127,990</u>   |
| <i>Fund balance - end of year</i>                        | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 4,879,435</u> | <u>\$ 4,879,435</u>  |

See independent auditors' report.

**STATE OF TEXAS**  
City of Socorro  
Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (GAAP Budgetary Basis) and Actual  
For the Year Ended September 30, 2016

Schedule II

|  | <b>Budgeted Amounts</b> |                  | <b>Actual</b>     | <b>Variances<br/>Favorable<br/>(Unfavorable)<br/>Final to Actual</b> |
|--|-------------------------|------------------|-------------------|--|
|  | <b>Original</b>         | <b>Final</b>     |                   |  |
| <i>Revenues</i>  |                         |                  |                   |  |
| Taxes:   |                         |                  |                   |  |
| Franchise  | \$ 8,000                | \$ 8,000         | \$ 10,602         | \$ 2,602   |
| Other  | -                       | -                | 9,442             | 9,442  |
| Municipal court fines and fees                           | -                       | -                | 4,457             | 4,457  |
| Intergovernmental income:                                |                         |                  |                   |  |
| Federal operating grants                                 | 7,532                   | 7,532            | 35,350            | 27,818   |
| Federal capital grants                                   | 823,914                 | 823,914          | 171,037           | (652,877)  |
| State operating grants                                   | 24,465                  | 24,465           | 9,915             | (14,550)   |
| State capital grants                                     | 92,000                  | 92,000           | -                 | (92,000)   |
| Miscellaneous  | 296,147                 | 296,147          | 248               | (295,899)  |
| <i>Total revenues</i>                                    | <u>1,252,058</u>        | <u>1,252,058</u> | <u>241,051</u>    | <u>(1,011,007)</u>   |
| <i>Expenditures</i>                                      |                         |                  |                   |  |
| Current:   |                         |                  |                   |  |
| General government                                       | 8,000                   | 8,000            | 156,244           | (148,244)  |
| Infrastructure and environmental                         | 1,212,061               | 1,212,061        | -                 | 1,212,061  |
| Public safety  | 7,532                   | 7,532            | 112,233           | (104,701)  |
| Justice system   | -                       | -                | 30                | (30)   |
| Health and human services                                | 24,465                  | 24,465           | -                 | 24,465   |
| Community and economic development                       | -                       | -                | 1,243             | (1,243)  |
| Capital outlay   | -                       | -                | 34,345            | (34,345)   |
| <i>Total expenditures</i>                                | <u>1,252,058</u>        | <u>1,252,058</u> | <u>304,095</u>    | <u>947,963</u>   |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>                | <u>-</u>         | <u>(63,044)</u>   | <u>(63,044)</u>  |
| <i>Other financing sources (uses)</i>                    |                         |                  |                   |  |
| Designated cash (budgeted increase in cash)              | -                       | -                | -                 | -  |
| Transfers in   | -                       | -                | -                 | -  |
| Transfers (out)  | -                       | -                | -                 | -  |
| <i>Total other financing sources (uses)</i>              | <u>-</u>                | <u>-</u>         | <u>-</u>          | <u>-</u>   |
| <i>Net change in fund balance</i>                        | <u>-</u>                | <u>-</u>         | <u>(63,044)</u>   | <u>(63,044)</u>  |
| <i>Fund balance - beginning of year</i>                  | -                       | -                | 250,695           | 250,695  |
| <i>Fund balance - restatement</i>                        | -                       | -                | (15,945)          | (15,945)   |
| <i>Fund balance - beginning as restated</i>              | -                       | -                | 234,750           | 234,750  |
| <i>Fund balance - end of year</i>                        | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 171,706</u> | <u>\$ 171,706</u>  |

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## **SUPPLEMENTARY INFORMATION**

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## STATE OF TEXAS

Schedule III

City of Socorro

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended September 30, 2016

|  | <b>Budgeted Amounts</b> |                  | <b>Actual</b>     | <b>Variances<br/>Favorable<br/>(Unfavorable)<br/>Final to Actual</b> |
|--|-------------------------|------------------|-------------------|--|
|  | <b>Original</b>         | <b>Final</b>     |                   |  |
| <i>Revenues</i>  |                         |                  |                   |  |
| Taxes:   |                         |                  |                   |  |
| Property   | \$ 1,813,416            | \$ 1,813,416     | \$ 1,807,349      | \$ (6,067)   |
| Sales  | -                       | -                | -                 | -  |
| Franchise  | -                       | -                | -                 | -  |
| Investment income  | -                       | -                | (579)             | (579)  |
| Miscellaneous  | -                       | -                | 2,950             | 2,950  |
| <i>Total revenues</i>                                    | <u>1,813,416</u>        | <u>1,813,416</u> | <u>1,809,720</u>  | <u>(3,696)</u>   |
| <i>Expenditures</i>                                      |                         |                  |                   |  |
| Current:   |                         |                  |                   |  |
| General government                                       | -                       | -                | -                 | -  |
| Infrastructure and environmental                         | -                       | -                | -                 | -  |
| Public safety  | -                       | -                | -                 | -  |
| Justice system   | -                       | -                | -                 | -  |
| Health and human services                                | -                       | -                | -                 | -  |
| Community and economic development                       | -                       | -                | -                 | -  |
| Debt service:  |                         |                  |                   |  |
| Principal  | 900,000                 | 900,000          | 950,000           | (50,000)   |
| Interest   | 913,416                 | 913,416          | 863,969           | 49,447   |
| Bond issuance costs                                      | -                       | -                | 60,702            | (60,702)   |
| <i>Total expenditures</i>                                | <u>1,813,416</u>        | <u>1,813,416</u> | <u>1,874,671</u>  | <u>(61,255)</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>                | <u>-</u>         | <u>(64,951)</u>   | <u>(64,951)</u>  |
| <i>Other financing sources (uses)</i>                    |                         |                  |                   |  |
| Designated cash (budgeted increase in cash)              | -                       | -                | -                 | -  |
| Payment to refunded bond escrow agent                    | -                       | -                | (3,765,529)       | (3,765,529)  |
| Premium on bond refunding                                | -                       | -                | 346,496           | 346,496  |
| Discount on bond refunding                               | -                       | -                | (27,202)          | (27,202)   |
| <i>Total other financing sources (uses)</i>              | <u>-</u>                | <u>-</u>         | <u>63,765</u>     | <u>63,765</u>  |
| <i>Net change in fund balance</i>                        | <u>-</u>                | <u>-</u>         | <u>(1,186)</u>    | <u>(1,186)</u>   |
| <i>Fund balance - beginning of year</i>                  | <u>-</u>                | <u>-</u>         | <u>178,871</u>    | <u>178,871</u>   |
| <i>Fund balance - end of year</i>                        | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 177,685</u> | <u>\$ 177,685</u>  |

See independent auditors' report.