

# **City of Socorro, Texas**

Basic Financial Statements,  
Required Supplementary Information  
and Supplementary Information  
For the Year Ended September 30, 2011  
and Independent Auditors' Report

**CITY OF SOCORRO, TEXAS**  
**SEPTEMBER 30, 2011**  
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### **INDEPENDENT AUDITORS' REPORT**

To Honorable Mayor and Members of City Council  
City of Socorro, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Socorro, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Socorro, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because of the inadequacy of accounting records relating to receivables for fines and warrants, we were unable to form an opinion regarding the amount at which these receivables are recorded in the accompanying financial statements at September 30, 2011 stated at \$2,535,098.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning receivables for fines and warrants been adequate, 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, on our consideration of the City of Socorro, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 26 through 29

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, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Socorro, Texas' financial statements as a whole. The Budgetary Comparison Schedule - Debt Service Fund and Budgetary Comparison Schedule - Capital Projects Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Budgetary Comparison Schedule - Debt Service Fund, Budgetary Comparison Schedule - Capital Projects Fund have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Strickler & Pavito, LLP

May 7, 2012

**CITY OF SOCORRO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

This section of the City of Socorro's annual financial report represents our discussion and analysis of the City's financial performance during the fiscal year that ended September 30, 2011. Please read it in conjunction with the City's financial statements and accompanying footnotes, which follow this section.

**FINANCIAL HIGHLIGHTS FISCAL YEAR 2011**

- General Fund revenues were approximately 2.5% more than projected.
- General fund expenses were held to approximately 92% of the final budget, which helped result in an actual net increase of \$415,493 to the General Fund end of year balance.
- For the end of fiscal year 2011, net assets were reported at approximately \$11,684,378.

**OVERVIEW OF FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

**GOVERNMENT - WIDE FINANCIAL STATEMENTS**

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector, with its basis in full accrual accounting and eliminating or reclassifying of internal activities.

The first of these government-wide statements is the Statements of Net Assets. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or function on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, justice system, health and human services, community and economic development, and infrastructure and environmental. Business type activities include airports, water utilities, solid waste management, storm water drainage, golf courses, fairgrounds, ground transportation, and parking. The City of Socorro does not operate any business type activities. Fiduciary activities, such as employee pension plans are not included in the government-wide statements since these assets are not available to fund the City. Contributions made by the City to the employee 457 Deferred Compensation Plan are held and administered by a third party.

## **FUND FINANCIAL STATEMENTS**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations.

The City of Socorro's finances are segregated into four primary funds: General Fund, Debt Service Fund, Special Revenue Fund and Capital Projects Fund.

The General Fund reflects revenues and expenditures to provide all the basic City services to the community, such as, Police, General Government, Streets, Public Works and the Community Center.

The Debt Service Fund is utilized to segregate the revenues and expenditures required to pay off debt incurred through the issuance of General Obligation Bonds, Revenue Bonds, Certificates of Obligation, Lease Purchases and other debt instruments.

The Special Revenue Fund is utilized to recognize and segregate revenues derived from grants and payments from other agencies not included in the General Fund.

The Capital Projects Fund is utilized to recognize and segregate those funds, usually from bonds or Certificates of Obligation, that will be used for construction projects, such as for streets or buildings.

## **NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide fund financial statements. The notes to the financial statements follow the financial statements.

## **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets (total assets less related liabilities) at fiscal year-end 2011 are \$11,684,378 and at fiscal year-end 2010 was \$10,660,953, as restated, reflecting an increase of \$1,023,425. The increase is primarily the result of increased miscellaneous revenue and reduced cost of public safety. The tables below summarize the City's total assets, liabilities and net assets at September 30, 2011 and 2010.

<b>Summary of Total Assets:</b>	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 5,207,537	\$ 4,791,957
Restricted cash	6,023,861	3,666,067
Receivables (taxes, grants, other miscellaneous)	4,038,407	3,892,982
Capital assets, net of accumulated depreciation	9,952,571	6,525,916
Other assets	382,700	134,396
<b>Total assets</b>	<b>\$ 25,605,076</b>	<b>\$ 19,011,318</b>
<b>Summary of Liabilities:</b>		
Short-term liabilities	\$ 1,388,495	\$ 1,327,265
Long-term liabilities	12,532,203	7,023,100
<b>Total liabilities</b>	<b>\$ 13,920,698</b>	<b>\$ 8,350,365</b>
<b>Summary of Net Assets:</b>		
Invested in capital assets, net of related debt	\$ (2,327,429)	\$ (497,184)
Restricted for debt service	(247,453)	(248,294)
Restricted for capital outlay	5,069,214	2,774,428
Unrestricted	9,190,046	8,632,003
<b>Total net assets</b>	<b>\$ 11,684,378</b>	<b>\$ 10,660,953</b>

A large portion of the City's net assets reflects its investments in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure); less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City had capital asset additions of \$4,003,913 of which the majority was for machinery, equipment and infrastructure. The City recorded \$577,258 in depreciation on its capital assets during FY 2011.

Other indicators of the City's financial position and performance are revenues; program, general and restricted, and budget performance. Comparison of this indicator data as they are accumulated over the years may provide the reader with information of developing trends in the City's financial health.

During fiscal years 2011 and 2010, respectively, the City collected \$7,730,420 and \$6,291,713 in revenues from all sources, while expending \$6,706,995 and \$5,941,658 resulting in a net increase of assets of \$1,023,425 and \$1,141,962.

The tables below summarize the years ended September 30, 2011 and 2010 revenues and expenditures for the City.

<b>Program Revenue Summary:</b>	<b>2011</b>	<b>2010</b>
Municipal Court fines and fees	\$ 430,972	\$ 1,109,460
Planning and zoning fees	312,092	210,780
Operating grants and contributions	453,477	76,550
<b>Total program revenues</b>	<b>\$ 1,196,541</b>	<b>\$ 1,396,790</b>

<b>General Revenue Summary:</b>		
Property taxes- general purpose	\$ 3,232,479	\$ 3,140,956
Property taxes- debt service	827,214	714,350
Sales tax	1,360,495	1,275,240
Franchise tax	476,400	410,564
Interest income	9,374	10,178
Miscellaneous income	627,917	135,542
<b>Total general revenue</b>	<b>\$ 6,533,879</b>	<b>\$ 5,686,830</b>

**Expenditures By Function:**

General government	\$ 1,598,716	\$ 1,371,469
Public works	1,526,866	1,329,731
Municipal Court	380,094	347,105
Public Safety	1,869,877	1,573,849
Planning and zoning	33,373	389,208
Public Health	401,470	395,026
Special Projects	336,739	141,915
Rio Vista Community Center	108,641	80,524
Human Resources	82,119	24,256
Interest on long-term debt	369,100	288,575
<b>Total expenditures</b>	<b>\$ 6,706,995</b>	<b>\$ 5,941,658</b>

The City's annual budget reflects the financial commitment to services and improvements by the governing body. As such, budget performance at the end of the fiscal year may be used as an indicator of the City's progress towards stated goals and objectives. During FY 2011 the City's General Fund Balance increased \$415,493 versus a budgeted decrease of \$124,530 in the General Fund. This variance is reflective of several unforeseeable issues developed during FY 2011, included receiving approximately \$275,000 more in miscellaneous revenue and approximately \$150,949 less in public safety than anticipated.



## SUMMARY

The City's financial health remains good with sufficient resources to continue current level of service delivery and approximately \$5,069,214 in funds to proceed with infrastructure improvements community wide. Improvements to the accounting system and continuing changes to the City's internal fiscal policies and procedures will further enhance the City's ability to monitor revenues and expenditures as well as promote greater management oversight and control.

The prognosis for continued financial growth in the City is good. The City enjoys steady growth and development in what was a primarily agriculture based economy. With the continued development of farm land to commercial and housing the property tax base will continue to increase. Increases in housing units will bring new families to the City and a concurrent increase in sales by local vendors thus increasing the sales tax rebates to the City. The continuing growth of these two income streams will ensure that the City remains on firm financial ground for the foreseeable future.

Questions concerning this analysis or the financial statements should be directed to Mr. Willie Norfleet Jr., City Manager at 915-858-2915 or by mail to: City of Socorro, Texas, Attn: City Manager, 124 S. Horizon Blvd., Socorro, Texas 79927.

# CITY OF SOCORRO, TEXAS

## STATEMENT OF NET ASSETS SEPTEMBER 30, 2011

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### ASSETS:

Cash and cash equivalents	\$ 5,207,537
Restricted cash	6,023,861
Accounts receivable - grantors	182,192
Other receivables, net	2,532,094
Accounts receivable - taxes	1,324,121
Capital assets, net of accumulated depreciation	9,952,571
Other assets	<u>382,700</u>
Total assets	<u>\$ 25,605,076</u>

### LIABILITIES:

Accounts payable	\$ 533,681
Accrued interest payable	37,586
Accrued expenses	817,228
Long-term liabilities:	
Bonds payable, current	320,000
Bonds payable, non-current	11,960,000
Unamortized bond premium	<u>252,203</u>
Total liabilities	<u>\$ 13,920,698</u>

### NET ASSETS:

Invested in capital assets, net of related debt	\$ (2,327,429)
Restricted for debt service	(247,453)
Restricted for capital outlay	5,069,214
Unrestricted	<u>9,190,046</u>
Total net assets	<u>\$ 11,684,378</u>

See accompanying notes to financial statements.

# CITY OF SOCORRO, TEXAS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs:	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Services Fees and Fines	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,598,716	\$ -	\$ -	\$ -	\$ (1,598,716)
Public works	1,526,866	-	-	-	(1,526,866)
Municipal court	380,094	430,972	-	-	50,878
Public safety	1,869,877	-	-	-	(1,869,877)
Planning/zoning	33,373	312,092	-	-	278,719
Public health	401,470	-	-	-	(401,470)
Special projects	336,739	-	453,477	-	116,738
Rio Vista Community Center	108,641	-	-	-	(108,641)
Human resources	82,119	-	-	-	(82,119)
Interest on long-term debt	369,100	-	-	-	(369,100)
	<u>\$ 6,706,995</u>	<u>\$ 743,064</u>	<u>\$ 453,477</u>	<u>\$ -</u>	<u>(5,510,454)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					3,232,479
Property taxes, levied for debt service					827,214
Sales taxes					1,360,495
Franchise taxes, for general purpose					464,997
Franchise taxes, for public, educational and government purpose					11,403
Interest income					9,374
Miscellaneous					627,917
Total general revenues					<u>6,533,879</u>
Change in net assets					<u>1,023,425</u>
Net assets - beginning of year					<u>10,660,953</u>
Net assets, end of year					<u>\$ 11,684,378</u>

See accompanying notes to financial statements.

# CITY OF SOCORRO, TEXAS

## BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 5,207,537	\$ -	\$ -	\$ -	\$ 5,207,537
Restricted cash	-	70,779	300,517	5,652,565	6,023,861
Accounts receivable - Grantors	-	-	182,192	-	182,192
Other receivables, net	1,714,513	-	817,582	-	2,532,095
Accounts receivable - Taxes	1,123,711	200,410	-	-	1,324,121
Due from other funds	6,863,665	593,811	4,557,703	6,221,352	18,236,531
Other assets	3,969	-	-	-	3,969
<b>Total assets</b>	<b>\$ 14,913,395</b>	<b>\$ 865,000</b>	<b>\$ 5,857,994</b>	<b>\$ 11,873,917</b>	<b>\$ 33,510,306</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 187,088	\$ -	\$ 73,420	\$ 273,172	\$ 533,680
Accrued expenses	104,703	-	712,525	-	817,228
Due to other funds	6,455,533	903,758	4,345,710	6,531,530	18,236,531
Deferred revenues	1,875,802	187,647	553,910	-	2,617,359
<b>Total liabilities</b>	<b>8,623,126</b>	<b>1,091,405</b>	<b>5,685,565</b>	<b>6,804,702</b>	<b>22,204,798</b>
<b>FUND BALANCES:</b>					
Nonspendable	-	(226,405)	-	-	(226,405)
Restricted for					
PEG fee	-	-	11,403	-	11,403
State fees	-	-	9,120	-	9,120
Court building	-	-	7,119	-	7,119
Court tech fund	-	-	9,516	-	9,516
Teen court county	-	-	490	-	490
SPD- law enforcement	-	-	40,206	-	40,206
JAG grant	-	-	11,041	-	11,041
TDHCA	-	-	32,000	-	32,000
SRTS	-	-	51,534	-	51,534
Committed for					
2001 CO	-	-	-	98,696	98,696
2008 CO	-	-	-	2,027,686	2,027,686
2010 CO	-	-	-	405,537	405,537
2011 CO	-	-	-	2,537,296	2,537,296
Unassigned	6,290,269	-	-	-	6,290,269
<b>Total fund balances</b>	<b>6,290,269</b>	<b>(226,405)</b>	<b>172,429</b>	<b>5,069,215</b>	<b>11,305,508</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,913,395</b>	<b>\$ 865,000</b>	<b>\$ 5,857,994</b>	<b>\$ 11,873,917</b>	<b>\$ 33,510,306</b>

See accompanying notes to financial statements.

# CITY OF SOCORRO, TEXAS

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS SEPTEMBER 30, 2011

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Total fund balances \$ 11,305,508

Amounts reported in the statement of net assets are different because:

Capital assets of \$18,791,412 accumulated depreciation of \$(8,838,841), are not financial resources and, therefore, are not reported in the funds. See Note 4 for additional detail. 9,952,571

Deposit on land purchase 5,000

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (37,588)

Deferred revenues are not available to pay current-period expenditures and, therefore, are deferred in the funds. These are the deferred property taxes of \$912,361, deferred municipal court warrants of \$1,699,998 and deferred grant revenue of \$5,000. 2,617,359

Long-term liabilities of \$(12,280,000) are not due and payable in the current period and are not reported in the funds. See Note 6 for detail. In addition, unamortized bond discount of \$373,731 and bond premium of \$(252,203). (12,158,472)

Net assets of governmental activities \$ 11,684,378

See accompanying notes to financial statements.

# CITY OF SOCORRO, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 3,225,811	\$ 827,214	\$ -	\$ -	\$ 4,053,025
Sales taxes	1,360,495	-	-	-	1,360,495
Franchise taxes	464,997	-	11,403	-	476,400
Planning and zoning fees	312,092	-	-	-	312,092
Fines	-	-	-	-	-
Municipal court	380,757	-	57,277	-	438,034
Interest income	6,064	-	63	3,247	9,374
Grants	-	-	469,412	-	469,412
Other income	367,971	673	31,254	228,019	627,917
<b>Total revenues</b>	<b>6,118,187</b>	<b>827,887</b>	<b>569,409</b>	<b>231,266</b>	<b>7,746,749</b>
<b>EXPENDITURES:</b>					
General government	1,397,159	-	9,547	247,542	1,654,248
Public works	960,334	-	-	3,388,937	4,349,271
Municipal court	241,224	-	136,812	-	378,036
Public safety	2,159,040	-	17,204	-	2,176,244
Planning/zoning	363,262	-	-	-	363,262
Public health	401,470	-	-	-	401,470
Special projects	8,554	-	328,185	-	336,739
Rio Vista Community Center	89,532	-	-	-	89,532
Human resources	82,119	-	-	-	82,119
Principal payments	-	2,763,100	-	-	2,763,100
Interest payments	-	350,978	-	-	350,978
<b>Total expenditures</b>	<b>5,702,694</b>	<b>3,114,078</b>	<b>491,748</b>	<b>3,636,479</b>	<b>12,944,999</b>
Excess (deficiency) of revenues over (under) expenditures	415,493	(2,286,191)	77,661	(3,405,213)	(5,198,250)
<b>OTHER FINANCING SOURCES:</b>					
Bonds proceeds	-	2,320,000	-	5,700,000	8,020,000
Net change in fund balances	415,493	33,809	77,661	2,294,787	2,821,750
Fund balances, beginning of year	5,874,776	(260,214)	94,768	2,774,428	8,483,758
Fund balances, end of year	\$ 6,290,269	\$ (226,405)	\$ 172,429	\$ 5,069,215	\$ 11,305,508

See accompanying notes to financial statements.

# CITY OF SOCORRO, TEXAS

## 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, 2011

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Net change in fund balances \$ 2,821,750

Amounts reported in the statement of activities are different because:

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. This is the amount by which capital outlays of \$4,004,184 exceeded depreciation of \$(577,259) in the current period. 3,426,925

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Similarly other revenues are not currently available at year-end and are not reported as revenue in the governmental funds. This is the change in deferred property taxes of \$6,669, deferred grant revenue of \$(15,935) and deferred municipal court revenue of \$(7,062). (16,328)

Accrued compensated absences are not reported in the governmental funds, but are reported in the statement of net assets. This is the decrease in accrued compensated absences. 71,642

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for certificates of obligation and notes payable. This is the current year change in accrued interest. (18,122)

The proceeds of debt issuances provide current financial resources to governmental funds, however issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is reported as an expenditure in the governmental funds because current financial resources are used and, thus, reduce the fund balance. However, principal repayments reduce long-term liabilities in the statement of net assets and do not result as an expense on the statement of activities. This is the net amount of bond proceeds in the amount of \$(8,020,000) plus the amount of principal payments of \$2,763,100 less bond discount amortization of \$5,542. (5,262,442)

Change in net assets of governmental activities \$ 1,023,425

See accompanying notes to financial statements.

# CITY OF SOCORRO, TEXAS

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the City of Socorro, Texas (the "City"), is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity.

The City of Socorro, Texas is 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, and community development.

**Reporting Entity**—The financial statements of the City consist of only the funds and account groups of the City. The City has no oversight responsibility over any other governmental entity, since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

**Government-Wide and Fund Financial Statements**—The statement of net assets and the statement of activities report information on all of the activities of the City. There are no business-type activities conducted by the City. All activities of the City are governmental in nature and are financed through taxes, and other non-exchange transactions.

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

Major individual governmental funds are reported as separate columns in the fund financial statements. The City has four governmental funds.

**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, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property tax revenues are recognized in the year for which they are levied.



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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the City receives cash.

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

**Fund Accounting**—The City's accounting system is operated on a fund basis. A fund is an independent accounting entity with a self-balancing set of accounts for recording its assets, liabilities, revenues, expenditures, and fund balances. The various funds are for the purpose of carrying on specific activities or to obtain certain objectives. The various funds are grouped by type in the financial statements. The City uses the following fund types:

#### **Governmental Fund Types:**

**General Fund**—The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

**Debt Service Fund**—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.

**Special Revenue 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 deferred revenue, a liability account. When the revenue recognition has been met, contract revenue not yet received is reported as accounts receivable.

**Capital Projects Fund**—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.

**Budgets and Budgetary Accounting**—The City is required by the Texas Constitution to adopt an annual balanced budget. 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.

**Cash, Restricted Cash and Investments**—Funds on deposit were maintained in non-interest bearing and interest bearing accounts and secured at the balance sheet date by the Federal Deposit Insurance Corporation and U.S. Government Securities.

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.

For presentation in the financial statements, investments with an original maturity of three months or less, at the time they are purchased by the City, are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

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

**Receivables and payables**—Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable financial resources. All accounts and other receivables are shown net of an allowance for uncollectibles.

**Allowance for Uncollectible Accounts**—The City periodically evaluates the collectibility of its accounts receivable. An allowance is set up for some accounts which the City believes may be collectible over time. Accounts deemed uncollectible are written off at that time. The City has not experienced any significant losses from uncollectible accounts.

**Capital Assets**—General capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Depreciation is determined using the straight-line method over the estimated lives of the assets. The City maintains a capitalization threshold of \$5,000. The City maintains infrastructure asset records consistent with all other capital assets. Infrastructure is capitalized upon completion of construction. Improvements are also capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Building and improvements	39-40
Machinery and equipment	5
Vehicles	5
Office furniture and equipment	5-7
Software	3
Infrastructure	22-68
Leasehold improvements	39

**Long-Term Obligations**—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Balances - Government Funds**—

Prior to fiscal year 2011, the City reported the governmental fund balances as restricted and unrestricted. Effective fiscal year 2011, the City implemented GASB Statement No. 54 and reports the governmental fund balances in five categories, which include:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the City of Socorro Council. The City of Socorro Council is the highest level of decision-making authority for the City of Socorro. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City of Socorro Council.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City of Socorro's adopted policy, only City of Socorro Council and the Socorro City Manager may assign amounts for specific purposes. 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** - is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose. Unassigned fund balance is only reported in the General Fund.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Deferred Revenues**—The City reports unearned deferred revenue in the governmental fund balance sheet. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within 60 days after year-end are considered to have been for prior services.

**Revenues—Exchange and Non-Exchange Transactions**—Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are considered to be both measurable and available at

fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided by the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**Expenses/Expenditures**—On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**Analysis of impairment**—Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measures based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended September 30, 2011.

**New Government Accounting Standards**—In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions which is effective for financial statements for periods beginning after June 15, 2010, with earlier application encouraged. The Statement establishes the fund balance classifications for governmental funds. The Statement also establishes several new presentation and disclosure requirements. In addition, the Statement clarifies the definitions of the various types of government funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the City can report in special revenue funds. The City incorporated this statement for the current fiscal year and is required to restate existing fund balances for the governmental funds.

**Subsequent Events**—Management has evaluated events through May 7, 2012, the date the financial statement were available to be issued.

## 2. DEPOSITS AND INVESTMENTS

**Cash and deposits**—Cash and deposits consist of the items reported below at September 30, 2011:

**Bank deposits:**

General Fund	\$ 5,120,032
Debt Service Fund	70,779
Special Revenue Fund	300,517
Capital Projects Fund	<u>5,652,565</u>
Total Cash and Deposits	<u>\$ 11,143,893</u>

Type of Security	Market Value
Total cash and deposits	\$ 11,143,893
Total cash equivalents	<u>87,505</u>
Total deposits and cash equivalents	<u>\$ 11,231,398</u>

As of September 30, 2011, the City had the following cash equivalents:

Investment	Weighted Average Maturity	Fair Value
LOGIC	40 days	<u>\$ 87,505</u>

**Interest Rate Risk**—In accordance with state law, the City does not purchase any investments with maturities greater than two years.

**Credit Risk**—In accordance with state law, investments in investment pools must be rated at least AAA by at least one nationally recognized rating service.

**Custodial Credit Risk - Deposits**—For a deposit or investment, custodial credit risk is the risk that, in the event of a the failure of the counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. 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, 2011, the carrying amount of the City's deposits was \$11,143,893 and bank balances equaled \$2,764,286. Bank balances of \$250,000 are covered by federal depository insurance. Bank balances in excess of the federal depository insurance were collateralized with securities held by the pledging financial institution's trust department or agent in the City's name in the amount of approximately \$8,600,739 as of September 30, 2011.

**Investment Policy**—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, 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.

LOGIC is a 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. The fair value of the position in LOGIC is the same as the value of the shares in the pool. Participation in LOGIC is voluntary

3. **RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE**

*Grant and Other Receivables and Uncollectible Accounts*—Significant receivables include amounts due from grantors for expenditure reimbursements. These receivables are due within one year and expected to be fully collectible. Related amounts are shown as follows.

	Gross	Allowance	Net
Grant receivables	\$ 182,192	\$ -	\$ 182,192

*Property Taxes Receivables, Deferred Revenue, and Property Tax Calendar*—Property taxes are levied September 1, in conformity with the Texas Property Tax Code. The certified tax roll from the El Paso Central Appraisal District reflected a taxable value of \$814,499,254 for the year ended September 30, 2011. Taxes are due on receipt of the tax bill and are delinquent if not paid by January 31, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties, and interest ultimately imposed. The City's total 2010-2011 tax rates were \$.496757, per \$100 of assessed valuation. The City incurred expenditures of \$50,658 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2011.

In the governmental-wide financial statements, property taxes receivable and related revenue include all amounts due to the City, regardless of when cash is received. Over time, substantially all property taxes are collected. In governmental fund financial statements, property tax revenues are considered available when they become due or past due and receivable within the current period. The City considers taxes as available if they are collected within 60 days after fiscal year-end. The remaining taxes are analyzed and an allowance provision is established to the extent that their collectibility is improbable. Included in deferred revenue reported in the government wide statement of activities for the year ended September 30, 2011 is \$912,361 of deferred property tax revenue.

4. **CAPITAL ASSETS**

*Changes in Capital Assets*—Capital assets activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 702,354	\$ -	\$ -	\$ 702,354
Capital assets being depreciated:				
Buildings and improvements	747,302	700,736	-	1,448,038
Machinery and equipment	1,213,018	263,745	-	1,476,763
Vehicles	1,042,483	294,196	-	1,336,679
Office furniture and equipment	198,757	171,763	-	370,520
Software	55,378	-	-	55,378
Infrastructure	10,429,523	1,850,488	-	12,280,011
Leasehold improvements	207,317	-	-	207,317
Construction in Progress	191,367	722,985	-	914,352
Total capital assets being depreciated at historical cost	14,085,145	4,003,913	-	18,089,058

Less accumulated depreciation for:				
Buildings and improvements	(305,894)	(23,464)	-	(329,358)
Machinery and equipment	(799,387)	(152,384)	-	(951,771)
Vehicles	(934,186)	(108,993)	-	(1,043,179)
Office furniture and equipment	(161,770)	(25,784)	-	(187,554)
Software	(52,976)	(2,058)	-	(55,034)
Infrastructure	(5,949,483)	(256,762)	-	(6,206,245)
Leasehold improvements	(57,887)	(7,813)	-	(65,700)
	<u>(8,261,583)</u>	<u>(577,258)</u>	<u>-</u>	<u>(8,838,841)</u>
Total accumulated depreciation				
Other capital assets, net	<u>5,823,562</u>	<u>3,426,655</u>	<u>-</u>	<u>9,250,217</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 6,525,916</u>	<u>\$ 3,426,655</u>	<u>\$ -</u>	<u>\$ 9,952,571</u>

**Depreciation Expense**—Depreciation expense was charged to functions of the government as follows, for the year ended September 30, 2011:

General government	\$ 19,146
Public works	419,257
Municipal court	2,058
Public safety	104,317
Planning/zoning	13,372
Rio Vista Community Center	19,108
	<u>\$ 577,258</u>

## 5. ACCRUED COMPENSATED ABSENCES

The City's leave policy does not allow employees to accumulate sick leave and vacation leave at the end of each fiscal year. Upon termination, any accumulated vacation will be paid to the employee. Accumulated sick leave is not paid upon termination, but rather, only upon illness while in the employment of the City. As of September 30, 2011, there was no accumulation of vacation leave, since no vacation accrual can be carried over to the next fiscal year.

## 6. LONG-TERM LIABILITIES

**Operating Leases**—The City has an operating lease for a copier for \$228 per month. The operating lease for the copier is beyond the original terms of the lease and is therefore considered to be a month to month lease. During the year ended September 30, 2011, rental payments under such leases totaled \$2,736.

*Certificates of Obligations*—In 2008, the City issued Combination Tax and Revenue Bonds, Series 2008. The original date of issue was October, 2008. Interest on the bonds ranges from 3% to 4.625% and is payable semi-annually on March 1 and September 1 of each year beginning March 1, 2009.

In 2010, the City issued Combination Tax and Revenue Bonds, Series 2010. The original date of issue was October, 2010. Interest on the bonds ranges from 2.00% to 4.00% and is payable semi-annually on March 1 and September 1 of each year beginning March 1, 2011.

In 2010, the City issued General Obligation Refunding Bonds, Series 2010. 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. The purpose of such refunding was to lower overall debt service requirements related to the Refunded Obligations. 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 beginning March 1, 2011.

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 semi-annually on March 1 and September 1 of each year beginning March 1, 2012.

The annual debt service requirements to maturity for bonded debt as of September 30, 2011, are as follows:

Year Ending September 30,	Principal	Interest
2012	\$ 320,000	\$ 450,686
2013	490,000	443,429
2014	360,000	433,341
2015	340,000	419,847
2016	830,000	403,154
2017-2021	3,075,000	1,699,933
2022-2026	4,115,000	976,366
2027-2031	2,750,000	234,713
Totals	<u>\$ 12,280,000</u>	<u>\$ 5,061,469</u>

*Changes in Long-term Debt*—The following is a summary of changes in long-term debt for the year ended September 30, 2011:

	Balance October 1, 2010	Additions	Payments/ Expired	Balance September 30, 2011	Due Within One Year
Certificates of obligation	7,023,100	8,020,000	(2,763,100)	12,280,000	320,000
Compensated absences	71,642	116,618	(188,260)	-	-
Total	<u>\$ 7,094,742</u>	<u>\$ 8,136,618</u>	<u>\$ (2,951,360)</u>	<u>\$ 12,280,000</u>	<u>\$ 320,000</u>



**7. FUND BALANCE**

In fiscal year 2011, the City of Socorro 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.

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

**8. DEFICIT FUND BALANCES**

The Debt Service Fund had a deficit fund balance at September 30, 2011 of (\$226,406). This deficit will be financed through future revenue of the fund.

**9. DUE FROM/DUE OTHER FUNDS**

The following are the due from/due to balances as of September 30, 2011, reported on the governmental fund balance sheet:

	<b>Due To</b>	<b>Due From</b>
General Fund:		
Special Revenue Fund	\$ (456,287)	\$ 5,159,820
Capital Projects Fund	(6,134,919)	1,987,795
Debt Service Fund	<u>135,673</u>	<u>(283,950)</u>
Total General Fund	<u>\$ (6,455,533)</u>	<u>\$ 6,863,665</u>
Special Revenue Fund:		
General Fund	\$ (4,690,700)	\$ (12,834)
Capital Projects Fund	(135,598)	4,570,537
Debt Service Fund	<u>480,588</u>	<u>-</u>
Total Special Revenue Fund	<u>\$ (4,345,710)</u>	<u>\$ 4,557,703</u>
Debt Service Fund:		
General Fund	\$ (381,437)	\$ 529,713
Special Revenue Fund	(480,588)	-
Capital Projects Fund	<u>(41,733)</u>	<u>64,098</u>
Total Debt Service Fund	<u>\$ (903,758)</u>	<u>\$ 593,811</u>
Capital Projects Fund:		
General Fund	\$ (1,987,794)	\$ 6,164,153
Special Revenue Fund	(4,570,536)	135,598
Debt Service Fund	<u>26,800</u>	<u>(78,399)</u>
Total Capital Projects Fund	<u>\$ (6,531,530)</u>	<u>\$ 6,221,352</u>

**10. DEFERRED COMPENSATION**

All City employees are eligible to participate in the City's Deferred Compensation Plan (the "Plan") adopted under the provisions of Internal Revenue Code 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The Plan is administrated by Nationwide Retirement Solutions and is a defined contribution plan. Under the terms of the Plan, employees may contribute up to the 5% of their earnings into an annuity contract. The City matches 5% of the participants' contributions into the Plan. The City's contributions into the Plan for fiscal year ended September 30, 2011 totaled \$1,386 and the employees contributed \$18,622.

**11. RISK POOL**

The City is a participant in an intergovernmental risk pool for its workers' compensation, liability, and property insurance. Participants in this pool are required to pay "premiums" on the insurance selected. Should a loss occur, the City is liable only for the deductible. The risk pool purchases reinsurance to cover future losses. The City is not liable for the future claims and, therefore, no liability has accrued at September 30, 2011.

**12. CONTINGENCIES**

An audit of the planning and zoning department revealed approximately \$93,847 of missing collections. The City is currently pursuing these funds under the Texas Municipal League fidelity bond covering the employee involved in the matter. The claim is still pending and it is not certain whether the City will be successful in respect to this claim, therefore no receivable was recorded at September 30, 2011.

In addition, 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, 2011.

**13. FEDERAL AND STATE GRANTS**

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

**14. OTHER CONTRACTS AND AGREEMENTS**

The City entered into a contract with the City of El Paso on behalf of the El Paso City-County Health and Environmental District for the purpose of obtaining various health related services. The contract is for the period September 1, 2010 through August 31, 2012, and is in the amount of \$375,784.

The City entered into a contract with the County of El Paso for the purpose of providing certain services relating to the operation of the On-Site Sewage Facility Program to provide the citizens of Socorro adequate public health protection and a minimum of environmental pollution. Under the terms of the contract, the City is required to pay the County a monthly fee, to be determined annually, for the services performed each year during the term of this agreement. For the agreement, the fee payable to the County shall be \$1,000 per month. The agreement is effective

agreement, the fee payable to the County shall be \$1,000 per month. The agreement is effective on October 1, 2010 and shall terminate on the 30th day of September, 2012.

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 for the period September 1, 2010 through August 31, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF SOCORRO, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues/inflows:</b>				
Property taxes	\$ 3,235,869	\$ 3,235,869	\$ 3,229,958	\$ (5,911)
Sales taxes	1,388,189	1,388,189	1,360,495	(27,694)
Franchise taxes	386,554	386,554	476,400	89,846
Hotel tax	-	-	-	-
Planning and zoning fees	222,000	222,000	312,092	90,092
Fines	668,000	668,000	380,035	(287,965)
Interest income	58,000	58,000	6,064	(51,936)
Other income	23,000	23,000	367,971	344,971
<b>Total revenues</b>	<b>5,981,612</b>	<b>5,981,612</b>	<b>6,133,015</b>	<b>151,403</b>
<b>Expenditures/outflows:</b>				
General government	1,251,367	1,405,866	1,374,729	31,137
Public works	1,043,564	1,043,564	944,915	98,649
Municipal court	234,258	234,258	237,351	(3,093)
Public safety	2,275,325	2,275,325	2,124,376	150,949
Planning/zoning	433,677	433,677	357,429	76,248
Public health	447,397	472,397	395,024	77,373
Special projects	15,675	15,675	8,417	7,258
Rio Vista Community Center	99,901	144,901	88,095	56,806
Human resources	80,449	80,449	80,800	(351)
<b>Total expenditures</b>	<b>5,881,613</b>	<b>6,106,112</b>	<b>5,611,136</b>	<b>494,976</b>
Excess of revenues over expenditures	99,999	(124,500)	521,879	646,379
<b>Other financing sources (uses):</b>				
Designated cash	-	124,530	-	-
Net change in fund balance	99,999	30	521,879	521,879
Fund balance, beginning of year	5,301,409	5,301,409	5,301,409	-
Fund balance, end of year	\$ 5,401,408	\$ 5,301,439	\$ 5,823,288	\$ 521,879
	Budget basis		\$ 521,879	
	Revenue accruals		(14,828)	
	Expenditure accruals		(91,558)	
	GAAP basis		\$ 415,493	

See accompanying notes to required supplementary information.

# CITY OF SOCORRO, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues/inflows:</b>				
Franchise Tax	\$ -	\$ -	\$ -	\$ -
Fines	-	-	16,635	16,635
Interest income	27,000	27,000	63	(26,937)
Hotel Tax	18,000	18,000	18,430	430
Grants	2,788,700	2,735,057	342,009	(2,393,048)
Other income	38,000	96,643	3,704	(92,939)
<b>Total revenues</b>	<b>2,871,700</b>	<b>2,876,700</b>	<b>380,841</b>	<b>(2,495,859)</b>
<b>Expenditures/outflows:</b>				
General government	45,000	45,000	12,330	32,670
Municipal court	119,000	290,783	176,686	114,097
Public safety	23,700	23,700	22,218	1,482
Special projects	2,784,000	2,789,000	423,836	2,365,164
Public works	-	-	-	-
<b>Total expenditures</b>	<b>2,971,700</b>	<b>3,148,483</b>	<b>635,070</b>	<b>2,513,413</b>
Excess of revenues (expenditures) over expenditures (revenues)	(100,000)	(271,783)	(254,229)	17,554
Other financing sources (uses): Designated cash	100,000	271,783	-	(271,783)
Net change in fund balance	-	-	(254,229)	(254,229)
Fund balance, beginning of year	(70,315)	(70,315)	(70,315)	-
Fund balance, end of year	<u>\$ (70,315)</u>	<u>\$ (70,315)</u>	<u>\$ (324,544)</u>	<u>\$ (254,229)</u>
Budget basis			\$ (254,229)	
Revenue accruals			188,567	
Expenditure accruals			143,323	
GAAP basis			<u>\$ 77,661</u>	

See accompanying notes to required supplementary information.

# CITY OF SOCORRO, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Budgetary Process**—The budgetary process is prescribed by provisions of Title 4, Chapter 102 of the Local Government Code of the Texas legislature and entails 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 department 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.

**Estimated Resources**—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 2011.

**Appropriations**—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.

**Lapsing of Appropriations**—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.

**Budgetary Basis of Accounting**—The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and in the full accrual basis on the government-wide financial statements.



**SUPPLEMENTARY INFORMATION**

# CITY OF SOCORRO, TEXAS

## SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues/inflows:</b>				
Proceeds for bonds	\$ -	\$ -	\$ 2,320,000	\$ 2,320,000
Property taxes	806,298	806,298	826,373	20,075
Interest income	8,000	8,000	673	(7,327)
<b>Total revenues</b>	<b>814,298</b>	<b>814,298</b>	<b>3,147,046</b>	<b>2,332,748</b>
<b>Expenditures/outflows:</b>				
Principal payments	447,864	447,864	2,763,100	(2,315,236)
Interest payments	366,434	366,434	367,403	(969)
<b>Total expenditures</b>	<b>814,298</b>	<b>814,298</b>	<b>3,130,503</b>	<b>(2,316,205)</b>
Excess revenues over expenditures	-	-	16,543	16,543
Net change in fund balance	-	-	16,543	16,543
Fund balance, beginning of year	(241,445)	(241,445)	(241,445)	-
Fund balance, end of year	\$ (241,445)	\$ (241,445)	\$ (224,902)	\$ 16,543
			Budget basis	\$ 16,543
			Revenue accruals	840
			Expenditure accruals	16,426
			<b>GAAP basis</b>	<b>\$ 33,809</b>

See accompanying notes to financial statements.

**CITY OF SOCORRO, TEXAS**

**SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND  
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues/inflows:</b>				
Proceeds from bonds	\$ 6,060,000	\$ 6,060,000	\$ 5,700,000	\$ (360,000)
Interest income	60,000	60,000	3,247	(56,753)
Other income	224,500	224,500	228,019	3,519
<b>Total revenues</b>	<u>6,344,500</u>	<u>6,344,500</u>	<u>5,931,266</u>	<u>(416,753)</u>
<b>Expenditures/outflows:</b>				
Public works	<u>6,120,000</u>	<u>6,120,000</u>	<u>3,823,831</u>	<u>2,296,169</u>
<b>Total expenditures</b>	<u>6,120,000</u>	<u>6,120,000</u>	<u>3,823,831</u>	<u>2,296,169</u>
Excess of revenues over expenditures	224,500	224,500	2,107,435	1,882,935
<b>Net change in fund balance</b>	<u>224,500</u>	<u>224,500</u>	<u>2,107,435</u>	<u>1,882,935</u>
Fund balance, beginning of year	<u>2,804,589</u>	<u>2,804,589</u>	<u>2,804,589</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,029,089</u>	<u>\$ 3,029,089</u>	<u>\$ 4,912,024</u>	<u>\$ 1,882,935</u>

Budget basis \$ 2,107,435  
Expenditure accruals 187,352

GAAP basis \$ 2,294,787

See accompanying notes to financial statements.



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

To Honorable Mayor and Members of City Council  
City of Socorro, Texas

We have audited the financial statements of the governmental activities and each major fund of the City of Socorro, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Socorro, Texas' basic financial statements and have issued our report thereon dated May 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of the City of Socorro, State of Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Socorro, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Socorro, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Socorro, Texas' internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2011-1 and 2011-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2011-3, 2011-4, 2011-5, 2011-6 and 2011-7 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Socorro, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, 2011-6 and 2011-7.

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

This report is intended solely for the information and use of City of Socorro, Texas' management, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

STRICKLER & FRICTO, LLP

May 7, 2012

# **CITY OF SOCORRO, TEXAS**

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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### **2011-1: Lack of Maintaining Adequate Accounting Records Related to Receivables for Fines and Warrants**

#### **Condition**

For the year ended September 30, 2011, the City did not maintain an accurate listing that was reconciled to the general ledger of all outstanding receivables related to municipal court fines and warrants.

#### **Criteria**

The City must maintain sufficient documentation to support and track all municipal court fines and warrants that are receivable and due to the City.

#### **Effect**

The City is unable to track the municipal court fines and warrants and cannot determine the amount of warrants and fines that are outstanding at September 30, 2011. As a result, the financial statements of the City could be materially misstated.

#### **Cause**

The City does not have adequate and proper internal controls in place to maintain sufficient and complete records to support the City's account receivable balances related to municipal court fines and warrants.

#### **Recommendation**

The City should implement procedures and internal controls whereby the activity related to the imposition of fines and warrants is properly recorded and accounted for. A detailed listing should be maintained which agrees with the amounts recorded in the general ledger. The City should be active in the collection of recorded amounts and also should determine when old past due amounts should be written off as uncollectible.

#### **Management Response**

The City will implement procedures and internal controls to sufficiently document all municipal court fines and warrants that are receivables and due to the City. A detail listing will be maintained and will agree to the general ledger. The City will determine when old past due amounts will be written off as uncollectible.

### **2011-2: Accrued Income and Receivable not Recorded**

#### **Condition**

At September 30, 2011, it was discovered that the City did not make the proper adjustment to accrue for municipal court warrants and fines outstanding and agree to the general ledger at the end of the fiscal year. Consequently, the financial statements were materially misstated in the current year. This resulted in a current year journal entry of \$383,891 to record municipal court warrants.

#### **Criteria**

Generally Accepted Accounting Principles require that receivables are recorded for court fees earned but not received as of September 30, 2011.

**Effect**

Not recording and adjustment to agree the receivable balance to the outstanding balance at September 30, 2011 caused the assets of the City to be overstated by \$383,891 and income for the current year to be understated by \$125,869.

**Cause**

Proper training and oversight was not maintained over the accounting department.

**Recommendation**

The City should maintain accounting records in compliance with the Governmental Accounting Standards Board.

**Management Response**

The City will make the proper adjustments to accrue for municipal court warrants and fines that are outstanding and agree with the general ledger at the end of the fiscal year.

**2011-3: Proper Identification and Inventory of Capital Assets Not Maintained**

**Condition**

During our testwork of capital asset equipment additions we noted that the newly acquired assets at the Chayo Apodaca Community Center were not properly tagged and inventoried.

**Criteria**

Proper internal control procedures require the departments to mark capitalized equipment with an asset number or other identifying characteristic that will allow it to be traced from the capital asset records to the physical asset. Proper accounting practices require congruence between the capital asset listing and actual physical existence and for the retention of appropriate supporting records.

**Effect**

If assets cannot be traced from the capital asset records to the physical asset, the City's risk of asset misappropriation increases. In addition, if the asset cannot be identified in the system upon disposal due to errors such as an inaccurate serial number, capital assets may be overstated. In addition, if assets are purchased with federal funds, the lack of support for the asset could jeopardize future funding and result in non-compliance in equipment handling by the City.

**Cause**

The tagging or marking of capitalized equipment with an asset number has been assigned to the department heads of the City. Departments are not always diligent about tagging assets with the asset number assigned.

**Recommendation**

Assets should be tracked and appropriately tagged. City employees responsible for capital assets in the various departments must be informed of the importance of proper accounting for those assets from acquisition to ultimate disposition. Additional training may be necessary to ensure proper procedures are understood and followed. When feasible, city accounting personnel should perform physical observation of assets throughout the year in departments that do not consistently review their capital asset listing.

**Management Response**

The City will ensure that assets are tracked and appropriately tagged. The City will provide additional training to ensure procedures are understood and followed. The City accounting personnel will perform physical audits of assets during the fiscal year in departments.

#### **2011-4: Capitalization of Work in Progress**

##### **Condition**

While performing capital asset testwork, we observed capital assets that were not being transferred from construction work in progress to the appropriate capital asset category in the proper fiscal period. In addition, we noted uncompleted projects being capitalized instead of being recorded as construction work in progress.

##### **Criteria**

Accounting policies and procedures requires that the City implement a systematic and well documented system for accounting of capital assets. The accounting system must be capable of generating lists of capital assets in sequences useful for managing them.

##### **Effect**

The ongoing construction projects are not always capitalized at the appropriate time and the prior years existing balance are not being taken into effect by the City.

##### **Cause**

The City did not perform a roll forward that would track all construction in progress activity. There are no subsidiary reports that are maintained to provide an accurate accounting of project activity at the project level. In addition, the City's fixed asset personnel in the accounting department are dependent on individual departments when determining whether items should be capitalized, or left in construction work in progress.

##### **Recommendation**

A construction in progress listing should be maintained which then should be monitored for completion at the project level. Individual projects that meet the capitalization threshold should be capitalized in the fiscal year that the criteria is met. The City should ensure employees with capital asset responsibilities are capable of properly determining when a capital asset should be capitalized.

##### **Management Response**

The City will maintain a construction in progress listing. The listing will be monitored for completion at the project level. The individual projects that meets the capitalization threshold will be capitalized in the fiscal year that the criteria was met.

#### **2011-5: Proper Accounting of Grant Revenue and Expenditures**

##### **Condition**

The Special Revenue Fund is used to account for various grants from federal and state agencies and other sources which are restricted by the granting agency to expenditures for a specified purpose. In the current year, the grant receivable balance had not been reconciled to the Schedule of Expenditures of Federal Awards.

##### **Criteria**

Grant accounting recognizes revenues equal to expenditures and that fund balance equals zero since costs in excess of receipts should be recorded as a receivable and receipts in excess of costs should be recorded as deferred revenues. However, there are occasions when grants will require the City to match expenditures. In this case, funds will be transferred from other funds into the Special Revenue fund to meet matching requirements. However, proper accounting practices require tracking of those matching funds or any additional revenue sources.

##### **Effect**

Grant revenues and expenditures may not be properly recorded in the financial statements and in the



Schedule of Expenditures of Federal Awards. Grantors may subsequently disallow costs if a proper accounting of matching funds, or identification of other sources, is not done. Also, there may be grant funding that the City could lose because it did not spend it in the required time period.

**Cause**

Grant accounting is decentralized. Grants are recorded and tracked by the grants administrator and individual departments. Accounting has to rely on the information provided by the grants administrator and by the individual departments. Accounting does not always receive timely information from the grants administrator and individual departments. In addition, accounting is not properly recording costs in excess of receipts as a receivable.

**Recommendation**

The City should put procedures in place that would improve the tracking of revenue and expenditures by grant, and by federal and non-federal sources, in the general ledger, and periodic reconciliations of grant expenditures to grant receipts. The City should consider centralizing the grant accounting function so that accounting has better control over recording and reporting of grants.

**Management Response**

The City will put procedures in place to improve the tracking of revenue and expenditures by grant, and by federal and non federal sources, in the general ledger, and quarterly reconcile the grant expenditures to the grant receipts. The City will consider centralizing the grant accounting function for better control and reporting of grants.

**2011-6: Lack of Payroll Supporting Documentation**

**Condition**

Employee time sheets to support hours worked were only signed by the department head. The employee time sheets did not have the employee signature attesting to the hours worked.

**Criteria**

Payroll disbursements should be supported by timesheets signed by the employee and approved by the department head as evidence of hours worked. Documentation supporting payroll transactions should be maintained.

**Effect**

The City could be paying their employees for unauthorized hours. In addition, time charged to federal programs for hours not signed by the employee and approved by the department head, could be disallowed by the granting agency and future funding could be jeopardized.

**Cause**

Procedures were not in place to ensure that all required documentation supporting payroll was maintained.

**Recommendation**

The City should put procedures in place to ensure that all support for time worked is maintained for all payroll disbursements. The accounting department should ensure that required documentation is maintained prior to authorizing the payment of payroll.

**Management Response**

The City will put procedures in place to ensure that all support for time worked is maintained for payroll disbursements. The accounting department will ensure that required documentation is maintained before authorizing the payment of payroll.

## **2011-7: City Council Not Provided Monthly Financial Statements**

### **Condition**

Proper management practices include the preparation of monthly financial reports for the City Council and public to review. Investigations with council members indicated that monthly financial information is not provided on a consistent basis.

### **Criteria**

Socorro City Charter section 3.12 (e) states that "the City Council shall, at the end of each month, prepare or have prepared under its direction, a statement as to financial receipts and disbursements for that particular month, and shall have such statement not later than the 25th day of the following month and shall have a copy of said statement available in the office of the City Secretary for examination and a copy will be made, at a reasonable charge, for those who request one."

### **Effect**

Not providing financial information to the city council on a monthly basis precludes the council from monitoring the financial activity of the city on a timely basis.

### **Cause**

The City Manager did not provide the city council with the required financial reports on a monthly basis.

### **Recommendation**

The City should put procedures in place that would ensure that the requirements of the examination of the financial condition by the city council are met. The City Manager should adhere to the city charter requirements and present financial information to the city council by the 25th day of the following month. In addition, all financial information should be made available for public examination as stipulated by the city charter.

### **Management Response**

The City will put procedures in place that will ensure financial information is presented to the City Council by the twenty-fifth day of the following month. All financial information will be available for public examination.