Jesus Ruiz
Mayor

Rene Rodriguez
At Large

Sergio Cox
District 1

Gloria M. Rodríguez
District 2/Mayor Pro Tem

Victor Perez
District 3

Anthony Gandara
District 4

Adriana Rodarte
Interim-City Manager

#20

DATE: AUGUST 20, 2015

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: KARINA HAGELSIEB

SUBJECT: DISCUSSION AND ACTION ON APPROVING THE ISSUANCE OF THE FISCAL YEAR 2014 AUDITED FINANCIAL STATEMENTS BY WHITE, SAMANIEGO, & CAMPBELL, LLP.

SUMMARY

This action approves the Issuance of the Fiscal Year 2014 Financial Audit from White, Samaniego, & Campbell, LLP.

STATEMENT OF THE ISSUE

In the July 2, 2015 council meeting the issuance of the fiscal year 2014 audit was approved. This is being presented to council for reconsideration due to the copy of the audit provided to the council was not the final report.

FINANCIAL IMPACT

ALTERNATIVE

No alternative available.

STAFF RECOMMENDATION

The staff is recommending approving this item.

City of Socorro, Texas

Basic Financial Statements and
Required Supplementary Information
For the Year Ended September 30, 2014
and Independent Auditors' Report

CITY OF SOCORRO, TEXAS

TABLE OF CONTENTS
SEPTEMBER 30, 2014

FINANCIAL SECTION

Independent Auditors' Report 1

Management's Discussion and Analysis 4

Basic Financial Statements
Government-wide Financial Statements:
Statement of Net Position 12
Statement of Activities 13

Governmental Fund Financial Statements:
Balance Sheet - Governmental Funds 14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 17

Notes to the Financial Statements 18

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule - General Fund 35
Budgetary Comparison Schedule - Special Revenue Fund 36
Notes to Required Supplementary Information 37

SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - Debt Service Fund 40
Budgetary Comparison Schedule - Capital Projects Fund 41

COMPLIANCE SECTION

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* 43

Schedule of Findings and Responses 45

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Socorro
Socorro, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Socorro, Texas (the "City"), as of and for the year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for nonmajor capital project funds and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended September 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of theses financial statements in accordance with the 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 the 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 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. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental of the City of Socorro as of September 30, 2014 and the respective changes in financial position and the respective budgetary comparisons for the nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Requires Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 4 - 10 and 35-36 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 of Socorro's basic financial statements. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the City of Socorro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Socorro's internal control over financial reporting and compliance.

El Paso, Texas
June 5, 2015

CITY OF SOCORRO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

This section of City of Socorro annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City of Socorro exceeded its liabilities at the close of the most recent fiscal year end by $9,823,659 (net position).
- The government's total net position increased by $448,824 during the fiscal year. The majority of this is due to the City's decrease of expenses in 2014.
- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of $16,026,525. Of this total, $11,858,837 is restricted for special revenue, capital projects and other restricted items.
- At the close of the current fiscal year, unassigned fund balance of the general fund was $4,167,688.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Socorro's finances, in a manner similar to a private-sector business.

The *statements of net position* presents information on all of the City of Socorro, Texas assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Socorro is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Socorro that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Socorro include general government, public works, municipal court, public safety, planning and zoning, public health, special projects, human resources, and the Rio Vista Community Center. 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 a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Socorro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Socorro are in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains four individual governmental funds organized according to their type (general, special revenue, debt services and capital projects). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Services Fund, Special Revenue and Capital Projects Fund, all of which are considered to be major funds.

The City of Socorro adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the governmental funds to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 18 of this report.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $9,823,659 at the close of the current fiscal year.

The largest portion of the City of Socorro, Texas net position represent the City's investment of $2,806,198 in capital assets (e.g., land, construction in progress, improvements, buildings, infrastructure, and machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit of unrestricted net position of $4,445,054 will be restored in subsequent years.

Analysis of Changes in Net Position

During the current fiscal year, the City's net position in governmental increased by $448,824. Theses increases are explained in the governmental activities discussion that follows.

Governmental Activities

Governmental activities increased the City's net position by $448,824. Revenues net of transfers increased from $6,942,106 for the year ended September 30, 2013 to $7,397,232 for the year ended September 30, 2014. Governmental expenses decreased from $8,993,412 for the year ended September 30, 2013 to $8,735,122 for the year ended September 30, 2014, primarily because the City decreased its budget and spending slightly. Total revenues and expenses from governmental activities are summarized below.

A summary of the statement of net position is as follows:

Summary of Total Assets:	**2014**	**2013**
Current and cash equivalents	$ 3,874,686	$ 3,970,116
Restricted cash	11,789,818	4,073,825
Receivables (taxes, grants, other miscellaneous)	4,150,110	3,401,223
Capital assets, net of accumulated depreciation	16,819,051	16,192,533
Other assets	448,138	35,959
Total assets	$ 37,081,803	$ 27,673,656
Summary of Liabilities		
Short-term liabilities	$ 2,106,110	$ 2,268,862
Long-term liabilities	25,152,034	16,029,959
Total liabilities	$ 27,258,144	$ 18,298,821
Summary of Net Position		
Net Investment in capital assets	$ 2,806,198	$ 2,950,601
Restricted for debt services	90,339	85,586
Restricted for capital outlay	11,372,176	2,999,184
Unrestricted	(4,445,054)	3,339,464
Total net position	$ 9,823,659	$ 9,374,835

A summary of the statement of activities is as follows:

Program Revenue Summary:	**2014**	**2013**
Public Works grants and contributions	$ 443,334	$ -
Municipal Court fines and fees	797,041	712,438
Planning and zoning fees	363,241	245,686
Operating grants and contributions	183,098	34,152
Total program revenues	1,786,714	992,276
General Revenue Summary:		
Property taxes - general purpose	3,935,930	3,593,190
Property taxes - debt service	1,198,544	1,243,668
Sales tax	1,706,119	1,511,519
Franchise tax	427,782	420,516
Interest income	4,623	851
Miscellaneous income	124,234	172,362
Total general revenue	7,397,232	6,942,106
Expenditures By Function:		
General government	1,617,479	4,118,261
Public works	1,836,924	111,956
Municipal court	338,546	274,251
Public safety	2,688,756	2,909,029
Planning and zoning	807,895	319,132
Public health	427,078	387,784
Special projects	125,630	121,039
Rio Vista community center	12,942	45,156
Human resources	296,081	111,883
Interest on long-term debt	583,791	594,921
Total expenditures	8,735,122	8,993,412
Change in net position	448,824	(1,059,030)
Net position - beginning	9,374,835	10,830,111
Prior period adjustment	-	(396,246)
Net position - ending	$ 9,823,659	$ 9,374,835

Financial Analysis of the City of Socorro as a Whole

As noted earlier, the City of Socorro uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City of Socorro's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendabl*e resources. Such information is useful in assessing the City of Socorro financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Services Fund and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,026,525, a increase of $8,243,081 in comparison with the prior year. Approximately 29% of this total amount, or $4,658,854, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, $11,367,671, is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue, capital projects and other restricted items.

Revenues for governmental functions overall totaled $8,785,020 in the year ended September 30, 2014, which represents a increase of $859,832 from the year ended September 30, 2013. Expenditures for governmental functions totaled $10,362,938 in the year ended September 30, 2014. This was a decrease of $1,143,453 from the fiscal year-ended September 30, 2013. In the fiscal year-ended September 30, 2014, expenses for governmental functions exceeded revenues by approximately $1,577,918.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was $4,167,688, which consisted of $0 restricted fund balance and $4,167,688 unassigned fund balance.

The fund balance of the City's General Fund decreased $377,017 during the current fiscal year.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary bans of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at $7,842,640. The actual revenues for the fiscal year were $6,495,831, an excess of $1,346,809. Taxes were over budgeted by $112,080 because of the increases in the Property taxes for the year.

Increases in the original budget were made due to additional income received during the fiscal year, allowing the City to increase the budgeted expenditures.

For the year ended September 30, 2014, general government combined with special revenue, debt service, and capital projects expenditures were under budget by $26,193.

Capital Asset and Debt Administration

Capital Assets

The City of Socorro's capital assets for its governmental activities as of September 30, 2014 amount to $16,819,051 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, machinery and equipment, and infrastructure. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was $1,400,919 for governmental activities.

The City of Socorro issued Certificates of Obligation in the last quarter of the fiscal year in the amount of $9,265,000. The general purpose of the issuance is for infrastructure such as flood control, street overlay, and sidewalks. Ordinance 330 is available for public viewing if more detail is needed.

Improvements and infrastructure costing $1,312,353 was purchased for the City and land and construction in progress of $88,566 was added in the year ended September 30, 2014. There were no deletions in the governmental activities during 2014.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

Capital Assets, Net of Depreciation
September 30, 2014 and 2013

	Governmental Activities	
	2014	**2013**
Land and Construction in Progress	$ 3,310,552	$ 3,221,986
Buildings, Equipment and Infrastructure	13,508,499	12,970,547
Capital Assets, Net of A/D	$ 16,819,051	$ 16,192,533

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

The Statement of Net Position shows the Net Investment in Capital Assets - Governmental Funds in the amount of $2,806,198. This investment includes the land, construction in progress, buildings, improvements, infrastructure, machinery and equipment and the waste water system net of all applicable debt service.

The City's long-term debt is summarized as follows:.

Long-Term Debt
September 30, 2014 and 2013

	Governmental Activities	
	2014	**2013**
Certificates of obligation	$ 24,850,000	$ 16,195,000
Total Long-Term Debt	$ 24,850,000	$ 16,195,000

Contacting the City of Socorro's Financial Management

This financial report is designed to provide a general overview of the City of Socorro's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Socorro Administration; 124 South Horizon Boulevard, Socorro, Texas 79927.

BASIC FINANCIAL STATEMENTS

CITY OF SOCORRO, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

ASSETS	
Cash and investments	$ 3,874,6[illegible]
Restricted cash	11,789,818
Accounts receivable - grantors	109,586
Other receivables, net	1,9[illegible]
Accounts receivable - taxes	2,08[illegible]
Inventory	
Capital assets, net of accumulated depreciation	
Other assets	
Total assets	
LIABILITIES AND NET POSITION	
Accounts payable	$ 753,855
Accrued interest payable	48,058
Accrued expense	464,197
Bonds payable, current	840,000
Long-term liabilities:	
Bonds payable, non-current	24,010,000
Unamortized bond premium	1,142,034
Total liabilities	27,258,144
NET POSITION	
Net investment in capital assets	2,806,198
Restricted for:	
Reserved for debt service	90,339
Reserved for capital outlay	11,372,176
Unrestricted	(4,445,054)
Total net position	9,823,659
Total liabilities and net position	$ 37,081,803

See accompanying notes to financial statements and independent auditors' report.

CITY OF SOCORRO, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
General government	$ 1,617,479	$ -	$ -	$ -	$ (1,617,479)
Public works	1,836,924	-	443,334	-	(1,393,590)
Municipal court	338,546	797,041	-	-	458,495
Public Safety	2,688,756	-	-	-	(2,688,756)
Planning/zoning	807,895	363,241	-	-	(444,654)
Public health	427,078	-	-	-	(427,078)
Special projects	125,630	-	183,098	-	57,468
Rio Vista Community Center	12,942	-	-	-	(12,942)
Human resources	296,081	-	-	-	(296,081)
Interest on long-term debt	583,791	-	-	-	(583,791)
Total governmental activities	$ 8,735,122	$ 1,160,282	$ 626,432	$ -	(6,948,408)

General Revenues and Transfers:	
Taxes:	
Property taxes, levied for general purpose	3,935,930
Property taxes, levied for debt service	1,198,544
Sales taxes	1,706,119
Franchise taxes, for general purpose	413,237
Franchise taxes, for public, educational and government purpose	14,545
Interest income	4,623
Miscellaneous	124,234
Total general revenues	7,397,232
Change in net position	$ 448,824
Net position - beginning	$ 9,374,835
Net position - ending	$ 9,823,659

See accompanying notes to financial statements and independent auditors' report.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF SOCORRO, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	$ 3,874,586	$ -	$ 100	$ -	$ 3,874,686
Restricted cash	-	74,670	145,288	11,569,860	11,789,818
Accounts receivables - Grantors	-	-	109,586	-	109,586
Other receivable, net	1,490,957	-	317,927	147,998	1,956,882
Accounts receivable - Taxes	1,725,154	354,882	3,606	-	2,083,642
Due from other funds	44,412		60,663	14,925	120,000
Inventory	40,658	-	-	-	40,658
Other assets	2,795	-	-	-	2,795
Total assets	$ 7,178,562	$ 429,552	$ 637,170	$ 11,732,783	$ 19,978,067
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 366,704	$ -	$ 64,694	$ 322,457	$ 753,855
Accrued expenses	356,554	-	107,643	-	464,197
Due to other funds	76,964	-	6,262	38,150	121,376
Total liabilities	800,222	-	178,599	360,607	1,339,428
Deferred inflows of resources	2,210,652	339,213	62,249	-	2,612,114
Fund balances:					
Restricted for:					
PEG fee	-	-	42,284	-	42,284
State fee	-	-	53,561	-	53,561
Court building	-	-	7,966	-	7,966
Court tech fund	-	-	35,048	-	35,048
Teen court county	-	-	490	-	490
Baseball tomorrow fund	-	-	3,804	-	3,804
SPD - law enforcement	-	-	40,206	-	40,206
JAG grant	-	-	8,896	-	8,896
TDHCA	-	-	29,038	-	29,038
SRTS	-	-	38,098	-	38,098
Committed for:					
2001 CO	-	-	-	48,336	48,336
2012 CO	-	-	-	1,153,359	1,153,359
2014 CO	-	-	-	9,820,999	9,820,999
Assigned	-	85,586	-	-	85,586
Unassigned	4,167,688	4,753	136,931	349,482	4,658,854
Total fund balances	4,167,688	90,339	396,322	11,372,176	16,026,525
Total liabilities, deferred inflows of resources and fund balances	$ 7,178,562	$ 429,552	$ 637,170	$ 11,732,783	$ 19,978,067

See accompanying notes to financial statements and independent auditors' report.

CITY OF SOCORRO, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Fund balances	$ 16,026,525
Amounts reported for government activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,819,051
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.	(48,058)
Deferred inflows are not available to pay current-period expenditures and, therefore, are deferred in the funds. These are the deferred property taxes of $1,549,259 and deferred municipal court warrants of 1,062,855.	2,612,114
Long-term liabilities of $(24,850,000) 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 $401,061 and bond premium of $(1,142,034)	(25,590,973)
Net position - Statement of Net Position	$ 9,823,659

See accompanying notes to financial statements and independent auditors' report.

CITY OF SOCORRO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total
Revenues:					
Property taxes	$ 3,935,930	$ 1,198,544	$ -	$ -	$ 5,134,474
Sales taxes	1,706,119	-	-	-	1,706,119
Franchise taxes	413,237	-	14,545	-	427,782
Planning and zoning fees	363,241	-	-	-	363,241
Municipal court	583,747	-	257,702	-	841,449
Interest income	4,623	-	-	-	4,623
Grants	-	-	183,098	-	183,098
Other income	115,812	-	8,422	-	124,234
Total revenues	7,122,709	1,198,544	463,767	-	8,785,020
Expenditures:					
General government	1,716,926	-	209,505	165,131	2,091,562
Public works	1,131,392	-	-	1,227,803	2,359,195
Municipal court	338,546	-	-	-	338,546
Public safety	2,663,335	-	10,109	15,312	2,688,756
Planning/zoning	802,538	-	-	5,357	807,895
Public health	427,078	-	-	-	427,078
Special projects	123,830	-	1,800	-	125,630
Rio Vista Community Center	-	-	-	34,404	34,404
Human resources	296,081	-	-	-	296,081
Principal payments	-	610,000	-	-	610,000
Interest payments	-	583,791	-	-	583,791
Total expenditures	7,499,726	1,193,791	221,414	1,448,007	10,362,938
Excess (deficiency) of revenues over expenditures	(377,017)	4,753	242,353	(1,448,007)	(1,577,918)
Other financing sources (uses):					
Bond proceeds	-	-	-	9,820,999	9,820,999
Total other financing sources (uses)	-	-	-	9,820,999	9,820,999
Net changes in fund balances	(377,017)	4,753	242,353	8,372,992	8,243,081
Fund balance - beginning of year	4,544,705	85,586	153,969	2,999,184	7,783,444
Fund balance - end of year	$ 4,167,688	$ 90,339	$ 396,322	$ 11,372,176	$ 16,026,525

See accompanying notes to financial statements and independent auditors' report.

CITY OF SOCORRO, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2014

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

Net change in fund balances		$ 8,243,081
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 depreciation expense exceeded capital outlay in the current period.		
Depreciation expense	(774,401)	
Capital outlay	1,400,919	
Excess of capital outlay over depreciation expense		626,518
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.		
Change in deferred property tax inflows	575,653	
Change in deferred municipal court inflows	(44,408)	
Deferred inflows		531,245
Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for the certificates of obligation and notes payable. This is the current year change in accrued interest.		(1,006)
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. Also, governmental funds report the effect of premium and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		
Bond proceeds	(9,265,000)	
Principle payments	610,000	
Bond premium net of amortization	(697,075)	
Bond issuance cost net of amortization	401,061	
Net change in debt		(8,951,014)
Change in net position of governmental activities		$ 448,824

See accompanying notes to financial statements and independent auditors' report.

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.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In fiscal year 2014 the City adopted new accounting standard GASB Statement No. 65, Items Previously Reported as Assets and Liabilities ("GASB 65"), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 impacted the City's fiscal year 2014 financial statements through reclassifying the unavailable portion of property taxes receivable not collected within 60 days as a deferred inflow whereas in the previous year it was classified as a liability.

The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the City and entities for which the City is considered to be financially accountable. 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. There are no component units for the fiscal year ended September 30, 2014.

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 City. For the most part, the effect of interfund activity has been removed from these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions 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.

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.) The City does not allocate indirect costs.

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

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*, generally including the reclassification or elimination or 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 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. 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

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 year. 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 government's policy to use restricted resources first, then unrestricted resources as they are recorded.

The City follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include sales tax and franchise tax.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The City reports deferred inflows/outflows on its combined balance sheet. Deferred inflows/outflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the City before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflows and unearned revenue is removed from the combined balance sheet and revenue is recognized.

D. 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:

The City reports the following major governmental funds:

General Fund. The general fund is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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 unearned revenue, 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.

E. 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.

F. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

G. 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.

H. 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.

I. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, 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.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The City has elected not to retroactively record infrastructure assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	39 - 40 years
Machinery and equipment	5 years
Furniture, fixtures and equipment	5-7 years
Vehicles	5 years
Software	3 years
Infrastructure	22-68 years
Leasehold improvements	39 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

J. Long-Term Obligations

In the government-

wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net assets.

K. Fund Balance

In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - Fund balance classification includes 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:

a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
b. Imposed by law through constitutional provisions or enabling legislation.
c. 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

The City's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

L. ***Net Position***

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

M. ***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. ***Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. ***Deferred Inflows/Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. Accordingly, the City unavailable revenue-property taxes and municipal court warrants in the governmental balance sheet. Unavailable revenue-property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Revenues-Exchange and Non-Exchange Transactions

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.

Q. 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:

R. 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, 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

S. Implementation of New Accounting Standards

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, 40 and should be applied on a prospective basis. Earlier application is encouraged. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

In April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

T. Subsequent Events

Management has evaluated events through June 5, 2015, the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

Cash and deposits Cash and deposits consist of the items reported below at September 30, 2014:

Bank deposit:	
General fund	$ 3,786,472
Debt service fund	74,670
Special revenue fund	145,388
Capital projects fund	11,569,860
Total cash and deposits	$ 15,576,390

2. CASH AND INVESTMENTS (cont)

Type of Security	Market Value
Total cash and deposits	$ 15,576,390
Total cash equivalents	88,114
Total deposits and cash equivalents	$ 15,664,504

As of September 30, 2014, the City had the following cash equivalents:

Investment	Weighted Average Maturity	Fair Value
LOGIC	40 days	$ 88,114

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, 2014, the carrying amount of the City's deposits was $15,576,390 and bank balances equaled $15,658,687. 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 $17,414,684 as of September 30, 2014.

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

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	$ 109,586	$ -	$ 109,586

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 $886,367,152 for the year ended September 30, 2014. 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 2013-2014 tax rates were $0.577847, per $100 of assessed valuation. The City incurred expenditures of $63,174 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2014.

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, 2014 is $1,549,259 of deferred property tax inflows.

4. CAPITAL ASSETS

Governmental fund capital asset activity for the year was as follows:

	Balance September 30, 2013	Additions	Transfers	Balance September 30, 2014
Capital assets not being depreciated:				
Land	$ 1,649,165	$ -	$ -	$ 1,649,165
Construction in progress	1,572,821	88,566	-	1,661,387
Total capital assets not being depreciated	3,221,986	88,566	-	3,310,552
Capital assets being depreciated:				
Buildings, structures and improvements	1,645,506	-	-	1,645,506
Machinery and equipment	1,689,465	93,881	(142,398)	1,640,948
Vehicles	1,607,612	97,389	(166,459)	1,538,542
Office furniture and equipment	442,133	33,749	(59,705)	416,177
Software	55,378	-	-	55,378
Infrastructure	17,535,203	1,081,709	-	18,616,912
Leasehold improvements	207,317	5,625	-	212,942
Total capital assets being depreciated	23,182,614	1,312,353	(368,562)	24,126,405

4. CAPITAL ASSETS (cont)

	Balance September 30, 2013	Additions	Transfers	Balance September 30, 2014
Less accumulated depreciation for:				
Buildings, structures and improvements	413,181	41,711	-	454,892
Machinery and equipment	1,282,041	148,520	(142,398)	1,288,163
Vehicles	1,233,833	158,364	(166,459)	1,225,738
Office furniture and equipment	265,638	46,127	(59,705)	252,060
Software	55,377	-	-	55,377
Infrastructure	6,880,670	371,725	-	7,252,395
Leasehold improvements	81,327	7,954	-	89,281
Total accumulated depreciation	10,212,067	774,401	(368,562)	10,617,906
Total capital assets being depreciated, net	12,970,547	537,952	-	13,508,499
Governmental activities capital assets, net	$ 16,192,533	$ 626,518	$ -	$ 16,819,051

Depreciation expense for the year ended September 30, 2014 was charged to the following functions:

General government	$ 17,949
Public works	502,465
Municipal court	1,019
Public safety	180,609
Planning/zoning	15,931
Apodaca Community Center	4,630
Rio Vista Community Center	51,798
Total Governmental Activities depreciation expense	$ 774,401

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, 2014, there was no accumulation of vacation leave, since no vacation accrual can be carried over to the next fiscal year.

6. LONG-TERM OBLIGATIONS

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, 2014, rental payments under such leases totaled $2,736. A total of $2,464 was paid to Interlease for the admin copier. The City also paid $11,511 to Superior Copy Machines for maintenance and ink. The city paid $3,481 to Pitney Bowes for rental of the postage machine.

6. LONG-TERM OBLIGATIONS (cont)

Certificates of Obligations - 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 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.

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 annual debt service requirements to maturity for bonded debt as of September 30, 2014, are as follows:

Year Ending September 30,	Principal	Interest
2015	$ 840,000	$ 977,036
2016	900,000	913,417
2017	925,000	888,686
2018	955,000	862,136
2019	980,000	832,162
2020-2024	5,470,000	3,599,867
2025-2029	6,655,000	2,415,571
2030-2034	8,125,000	952,220
Totals	$ 24,850,000	$ 11,441,095

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Reductions	Balance September 30, 2014	Due Within One Year
Certificate of obligation	$ 16,195,000	$ 9,265,000	$ (610,000)	$ 24,850,000	$ 840,000

7. FUND BALANCES

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 to the next most restrictive category with available funds.

8. 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, 2014 totaled $7,465 and the employees contributed $25,410.

9. 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, 2014.

10. CONTINGENCIES

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, 2014.

11. 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.

12. 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 of September 1, 2013 through August 31, 2014 in the amount not to exceed $454,994.

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 on October 1, 2013 and shall terminate on September 30, 2014.

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, 2013 through August 15, 2014. The contract is automatically renewed every year with the agreement that either party can terminate the contract at any time.

13. 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 and natural disasters for which the City carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCORRO, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue/inflows:				
Property taxes	$ 3,942,166	$ 3,832,166	$ 3,664,890	$ (167,276)
Sales taxes	1,453,000	1,453,000	1,706,119	253,119
Franchise taxes	415,000	387,000	413,237	26,237
Planning and zoning fees	308,600	238,750	363,241	124,491
Fines	460,000	437,000	227,909	(209,091)
Interest income	1,200	-	4,623	4,623
Other income	870,693	1,494,724	115,812	(1,378,912)
Total revenues	7,450,659	7,842,640	6,495,831	(1,346,809)
Expenditures/outflows:				
General government	1,541,482	1,775,126	1,667,077	108,049
Public works	1,008,293	1,107,595	1,131,392	(23,797)
Municipal court	285,224	285,355	338,546	(53,191)
Public safety	2,614,779	2,756,076	2,663,335	92,741
Planning/zoning	377,508	323,722	802,538	(478,816)
Public health	436,067	387,784	427,078	(39,294)
Special projects	230,300	134,128	123,830	10,298
Recreation center	442,158	558,751	-	558,751
Human resources	133,544	135,062	296,081	(161,019)
Total expenditures	7,069,355	7,463,599	7,449,877	13,722
Excess of expenditures over revenues	381,304	379,041	(954,046)	(1,333,087)
Fund balance, beginning of year	4,544,705	4,544,705	4,544,705	-
Fund balance, end of year	$ 4,926,009	$ 4,923,746	$ 3,590,659	$ (1,333,087)

Budget basis	$ (954,046)
Revenue accruals	626,878
Expenditure accruals	(49,849)
GAAP basis	$ (377,017)

See accompanying notes to required supplementary information.

CITY OF SOCORRO, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue/inflows:				
Franchise taxes	$ -	$ -	$ 14,545	$ 14,545
Fines	-	-	344,134	344,134
Hotel tax	15,000	15,000	-	(15,000)
Grants	699,608	558,625	183,098	(375,527)
Other income	16,000	30,000	8,422	(21,578)
Total revenues	730,608	603,625	550,199	(53,426)
Expenditures/outflows:				
General government	390,608	390,608	424,004	(33,396)
Public safety	-	50,000	10,109	39,891
Special projects	340,000	162,517	1,800	160,717
Total expenditures	730,608	603,125	435,913	167,212
Excess of revenues over expenditures	-	500	114,286	113,786
Fund balance, beginning of year	153,969	153,969	153,969	-
Fund balance, end of year	$ 153,969	$ 154,469	$ 268,255	$ 113,786

Budget basis	$ 114,286
Revenue accruals	(86,432)
Expenditure accruals	214,499
GAAP basis	$ 242,353

See accompanying notes to required supplementary information.

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 2013.

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

CITY OF SOCORRO, TEXAS

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue/inflows:				
Proceeds for bonds	$ -	$ -	$ -	$ -
Property taxes	1,193,791	1,193,791	1,285,801	92,010
Interest income	-	-	-	-
Total revenues	1,193,791	1,193,791	1,285,801	92,010
Expenditures/outflows:				
General government	-	-	-	-
Principal payments	610,000	610,000	610,000	-
Interest payments	583,791	583,791	583,791	-
Total expenditures	1,193,791	1,193,791	1,193,791	-
Excess of revenues over expenditures	-	-	92,010	92,010
Fund balance, beginning of year	85,586	85,586	85,586	-
Fund balance, end of year	$ 85,586	$ 85,586	$ 177,596	$ 92,010

Budget basis	$ 92,010
Revenue accruals	(87,257)
GAAP basis	$ 4,753

See accompanying notes to financial statements.

CITY OF SOCORRO, TEXAS

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenue/inflows:				
Proceeds from bonds	$ 1,193,791	$ 9,277,265	$ 9,277,265	$ -
Interest income	-	-	-	-
Other income	-	-	-	-
Total revenues	1,193,791	9,277,265	9,277,265	-
Expenditures/outflows:				
General government	-	-	-	-
Public works	-	-	-	-
Public safety	-	-	-	-
Planning/zoning	-	-	-	-
Capital outlay	1,193,791	1,193,791	1,400,918	(207,127)
Rio Vista Community Center	-	-	-	-
Total expenditures	1,193,791	1,193,791	1,400,918	(207,127)
Excess of revenues over expenditures	-	8,083,474	7,876,347	(207,127)
Fund balance, beginning of year	2,999,184	2,999,184	2,999,184	-
Fund balance, end of year	$ 2,999,184	$ 11,082,658	$ 10,875,531	$ (207,127)

Budget basis	$ 7,876,347
Transfer in/out net	428,916
Expenditure accruals	67,729
GAAP basis	$ 8,372,992

See accompanying notes to financial statements.

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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*

Mayor and City Council
City of Socorro
Socorro, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Socorro, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Socorro, Texas' basic financial statements and have issued our report thereon dated June 5, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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.

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 accompany schedule of findings and questioned costs to be significant deficiencies. (2013-02, 2013-04).

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

City of Socorro, Texas' Response to Findings
City of Socorro, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Socorro, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

El Paso, Texas
June 5, 2015

STATUS OF PRIOR YEAR FINDINGS

		Current Status
2011-03	Proper Identification and Inventory of Capital Assets Not Maintained	Resolved
2011-07	City Council Not Provided Monthly Financial Statements	Resolved
2013-01	Gas Inventory	Resolved
2013-02	Computer Information System Policy	Repeated
2013-03	Accounting Policies and Procedures Manual	Resolved
2013-04	Information System Recovery Plan	Repeated
2013-05	Procurement Policy	Resolved
2013-06	Restricted Funds	Resolved
2013-07	Cash Reconciliation	Resolved

2013-02: Computer Information System Policy - Significant Deficiency

Condition
The City of Socorro does not have a documented policy and procedure manual for their Computer Information System.

Criteria
Texas Local Government Code - Section 203.021.3 states that the governing body of a local government shall facilitate the creation and maintenance of local government records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the local government and designed to furnish the information necessary to protect the legal and financial rights of the local government, the state, and persons affected by the activities of the local government.

Cause
The City has not placed a high priority to adopting policies and procedures for their Computer Information system.

Effect
Since Computer Information System policies and procedures are not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets and ensure compliance with internal policies, laws and regulations. Adequate controls are not in place to prevent or detect misstatements of accounting information, therefore misstatements and non-compliance with internal policies, laws and regulations may occur and not be prevented or detected by management or staff during the course of their normal duties.

Recommendation
The information system policy manual is a generally accepted tool to help ensure the best results in connection with the planning function, budgeting, training and maximizing strategic productivity for computer systems. The City of Socorro should implement policies and procedures for their Computer Information system.

Management's Response
The City's technology department is working with an outside entity to develop a policy and procedure manual for implementation. The City has a draft of a policy that will be submitted for Council approval in early FY16.

2013-04: Information System Recovery Plan - Significant Deficiency

Condition
The City of Socorro does not have an approved plan for information system recovery of technology.

Criteria
The Texas Administrative Code, Section 202.24(a) states that state agencies shall maintain written Business Continuity Plans that address information resources so that the effects of a disaster will be minimized, and the state agency will be able either to maintain or quickly resume mission-critical functions. The state agency head or his or her designated representative(s) shall approve the plan. The plan shall be distributed to key personnel and a copy stored offsite.

Cause
The City has not placed a high priority to adopting a formal plan for the recovery of technology information.

Effect
System usage could be impaired or rendered useless for a significant period of time, which could severely impact the City's ability to conduct daily operations. If a formal plan was adopted, productivity and effectiveness could be increased with sound information system and technology planning.

Recommendation
The City should adopt a recovery plan that would provide procedures and processes for appropriate computer locations. The plan should address items including but not limited to: system redundancy, data storage, system firewall monitoring, back-up systems, restoration, contact personnel, and vendors. The adopted plan should be tested and communicated to all necessary parties. Annually, the plan should be assessed by information system personnel for content and revised with approvals when appropriate or necessary.

Management's Response
The City is currently working with an outside entity to develop and implement a system recovery plan. The City has a draft of a policy that will be submitted for Council approval in early FY16.

Jesus Ruiz
Mayor

Rene Rodriguez
At Large

Sergio Cox
District 1 / Mayor Pro Tem

Gloria M. Rodriguez
District 2

Victor Perez
District 3

Vacant
District 4

Willie Norfleet, Jr.
City Manager

#21

DATE: AUGUST 20, 2015

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: KARINA HAGELSIEB

SUBJECT: DISCUSSION AND ACTION ON APPROVING THE UPDATED Travel Policy amendment 5

SUMMARY

Travel Policy 37 amendment 5 includes allowance for mileage reimbursements to Council Members.

STATEMENT OF THE ISSUE

In the July 16 council meeting, council approved an amendment to the travel policy to include mileage reimbursements for business related expenses to council members.

FINANCIAL IMPACT

ALTERNATIVE

STAFF RECOMMENDATION

The staff recommends approving this item.

Jesus Ruiz
Mayor

Rene Rodriguez
At Large

Sergio Cox
District 1 / Mayor Pro-Tem

Gloria M. Rodríguez
District 2/Mayor Pro Tem

Victor Perez
District 3

Vacant
District 4

Adriana Rodarte
Interim City Manager

TRAVEL, MILEAGE AND RELATED EXPENSE

POLICY NO. 37
Amendment No. 5

I. CASH ADVANCE

A) EMPLOYEES: A cash advancement (per diem} for meals and incidental expenses, such as parking fees, will be forwarded to staff and elected officials traveling out of town. Receipts for per diem are not required. Receipts for all other travel expense such as hotel, car rental, etc.. are required. Advanced funds not used during travel (other than per diem) will be reimbursed to the Finance Department immediately (no later than five (5) working days) upon return. Per diem and mileage amounts disbursed will follow the current U.S. General Service Administration rates (www.gsa.gov).

II. AUTO RENTAL

A) Auto rentals need to be limited to small economical cars and passenger vans; depending on the number of people traveling together. Luxury car rentals are not allowed. Rentals are acceptable only when the area you are traveling to does not allow for a convenient and cost effective shuttle or taxi service. Rentals are also limited to City business and used only during the time allotted for the trip. A fuel and parking allowance will be issued for travel in the amount of $100.00 per staff and council member. If the fuel allowance issued is not sufficient for the travel needs, the employee will be reimbursed for this expense upon completion of the travel reconciliation form. All receipts shall be attached to the request for reimbursement. If more than one person is traveling to the same destination the allowance will be issued to the person renting the vehicle.

III. AIRFARE

A) Airfare tickets may be purchased with the City credit card upon approval of the trip; however, at no time will airfare tickets be purchased for spouses or any individual who is not employed by the City of Socorro.

B) Where an air travel expense is to be reimbursed by a grant, a ticket reservation will be allowed prior to Council approval with an approved purchase requisition and purchase order. The corporate card, with the City Manager's or Mayor's (in absence of City Manager) written approval may be used to make the reservations.

IV. PERSONAL CARS

A) Use of personal cars for City business will be reimbursed as per the current U.S. General Services Administration (www.gsa.gov) mileage reimbursement rates in addition to tolls and reasonable documented parking fees. Mileage reimbursement will be issued only to the employee who furnishes the vehicle for transportation to the destination.

Car washing and other servicing is not reimbursable. Traffic/parking violations and all resulting fines are the employee's personal responsibilities and are not reimbursable by the City. Insurance coverage is the employee's responsibility.

B) Whenever possible, pooling arrangements should be made when employees and/or Council members are visiting the same location.

C) Personal car expenses are not reimbursable without explanation and approval by the City Manager or Mayor in the absence of the City Manager.

D) The use of a personal automobile for trips exceeding 1,400 miles round-trip is not permissible without prior approval from the employee's Department Head. In all cases, the maximum amount of reimbursement shall be the total cost of the most economical airfare rate, plus parking fees, plus ground transportation costs.

E) Local mileage reimbursements for staff will be capped not to exceed one-hundred twenty-five dollars ($125 00) per month. A mileage log must accompany each and every mileage reimbursement request. Total mileage reimbursements shall not exceed the departmental annual budgeted amount. In the event the budget item for mileage reimbursement is depleted before the fiscal year ends, requests for budget amendments must be submitted to the City Manager. Commuting mileage reimbursements will not be issued. Council members will be reimbursed for business related mileage expenses in accordance with the travel policy.

V. TRAVEL, MILEAGE, AND RELATED EXPENSE FORM

A) Travel Reconciliation and Mileage Forms are due in the Finance Department within five (5) working days upon arrival from the trip, including required receipts.

VI. APPROVAL PROCESS FOR TRAVEL

Out of town travel must be approved by City Council prior to making any arrangements. The City Manager is authorized to approve emergency travel without City Council approval. An emergency is defined as an unforeseen condition arising suddenly and unexpectedly, not caused by any neglect or omission, and which calls for immediate action.

VII. TRAVEL CANCELLATIONS

Travel cancellations are not reimbursable to the City. Credits issued by the airplane companies for cancellations must be utilized for the same person and expire if not utilized within a specific time frame. In addition, seminar fees are not usually reimbursed or credited to the City. Employees and Council members must be certain travel will take place before making travel arrangements`. Emergency cancellations are expected; however, each cancellation will be reviewed by Finance and presented to Council for consideration.

REVISED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF SOCORRO, TEXAS.

APPROVED THIS _____, day of August, 2015

_____

Mayor Jesus Ruiz

ATTEST:

_____

Olivia Navarro, Assistant City Clerk

PROPERTY TAX RATE FOR CITY OF SOCORRO

#22

A tax rate of $0.727555 per $100 valuation has been proposed for adoption by the governing body of CITY OF SOCORRO. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

PROPOSED TAX RATE	$0.727555 per $100
PRECEDING YEAR'S TAX RATE	$0.688558 per $100
EFFECTIVE TAX RATE	$0.694454 per $100
ROLLBACK TAX RATE	$0.727555 per $100

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for CITY OF SOCORRO from the same properties in both the 2014 tax year and the 2015 tax year.

The rollback tax rate is the highest tax rate that CITY OF SOCORRO may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

property tax amount= (rate) x (taxable value of your property)/100

For assistance or detailed information about tax calculations, please contact:

Maria O. Pasillas, RTA
CITY OF EL PASO Interim Tax Assessor-Collector
221 N. Kansas, Suite 300
El Paso, TX 79901
915-212-0106
citytaxoffice@elpasotexas.gov
www.elpasotexas.gov/tax-office

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: August 20, 2015 at 6:00 PM at Socorro City Hall, 860 N. Rio Vista Rd., Socorro, TX 79927.

Second Hearing: September 3, 2015 at 6:00 PM at Socorro City Hall, 860 N. Rio Vista Rd., Socorro, TX 79927.