

CITY OF SOCORRO, NEW MEXICO

Financial Statements

June 30, 2018



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

CITY OF SOCORRO, NEW MEXICO

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CITY OF SOCORRO, NEW MEXICO

Year Ended June 30, 2018

Official Roster

City Council

Ravi Bhasker	Mayor
Gordon Hicks	Councilor
Peter Romero	Councilor
Toby Jaramillo	Councilor
Michael Olguin Jr.	Councilor
Mary Ann Chavez-Lopez	Councilor
Nick Fleming	Councilor
Anton Salome	Councilor
Deborah Dean	Councilor

City Officials

Donald Monette	City Administrator/Treasurer
Ruby Lopez	Finance Director
Frances Cases	Municipal Judge

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Socorro
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Socorro (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the beginning balance of net position of the joint utility fund has been restated due to errors in the recording of long-term debt. The restatement resulted in a decrease in the beginning net position of the joint utility fund of \$1,174,375.

Additionally, as discussed in Note 16 to the financial statements, the beginning net position of the City has been restated due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, for the year ended June 30, 2018. The restatement resulted in a decrease in the beginning net position of governmental funds of \$4,252,277 and a decrease in the beginning net position of business-type funds of \$1,764,200.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of the City's Proportionate Share of the Net OPEB Liability, Schedule of City Contributions, and the Notes to the Required Supplementary information on pages 52-59 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 City's financial statements that collectively comprise the City's financial statements. The combining and individual non-major fund financial statements and other schedules required by Section 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the other schedules required by Section 2.2.2 NMAC 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 the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the other schedules required by Section 2.2.2 NMAC 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 December 14, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Albuquerque, New Mexico
December 14, 2018

CITY OF SOCORRO, NEW MEXICO
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and investments	\$ 1,582,367	747,722	2,330,089
Receivables:			
Taxes	915,011	-	915,011
Receivables from external parties	46,365	17,291	63,656
Accounts receivable, net of allowance	472,152	1,577,613	2,049,765
Inventories	5,886	90,675	96,561
Total current assets	<u>3,021,781</u>	<u>2,433,301</u>	<u>5,455,082</u>
Noncurrent assets			
Restricted cash and investments	-	38,115	38,115
Capital assets, net of accumulated depreciation	15,254,796	16,895,124	32,149,920
Total noncurrent assets	<u>15,254,796</u>	<u>16,933,239</u>	<u>32,188,035</u>
Total assets	<u>18,276,577</u>	<u>19,366,540</u>	<u>37,643,117</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	1,515,727	619,697	2,135,424
OPEB related	66,503	27,591	94,094
Total deferred outflows of resources	<u>1,582,230</u>	<u>647,288</u>	<u>2,229,518</u>
LIABILITIES			
Current liabilities			
Accounts payable	53,010	42,445	95,455
Accrued payroll liabilities	116,309	-	116,309
Compensated absences current	231,811	121,800	353,611
Accrued interest payable	8,560	54,325	62,885
Deposits payable	-	72,617	72,617
Loans payable - current	198,261	252,638	450,899
Capital leases payable - current	-	87,692	87,692
Bonds payable - current	-	31,300	31,300
Due to other governments	-	42,431	42,431
Total current liabilities	<u>607,951</u>	<u>705,248</u>	<u>1,313,199</u>
Noncurrent liabilities			
Loans payable - noncurrent	1,895,894	3,111,143	5,007,037
Capital leases payable - noncurrent	-	14,615	14,615
Bonds payable- noncurrent	-	1,680,200	1,680,200
Landfill closure cost	-	314,307	314,307
Compensated absences - noncurrent	34,731	25,094	59,825
Net pension liability	7,012,100	2,606,992	9,619,092
Net OPEB liability	3,579,836	1,485,215	5,065,051
Total noncurrent liabilities	<u>12,522,561</u>	<u>9,237,566</u>	<u>21,760,127</u>
Total liabilities	<u>13,130,512</u>	<u>9,942,814</u>	<u>23,073,326</u>
DEFERRED INFLOWS OF RESOURCES			
Real estate contract	153,913	141,872	295,785
Pension related	1,050,652	190,655	1,241,307
OPEB related	814,762	338,032	1,152,794
Total deferred inflows of resources	<u>2,019,327</u>	<u>670,559</u>	<u>2,689,886</u>
NET POSITION			
Net investment in capital assets	13,160,641	11,717,536	24,878,177
Restricted for:			
Special revenues	680,604	-	680,604
Capital projects	189,866	-	189,866
Debt service	266,581	-	266,581
Unrestricted (deficit)	(9,588,724)	(2,317,081)	(11,905,805)
Total net position	<u>\$ 4,708,968</u>	<u>9,400,455</u>	<u>14,109,423</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 1,579,404	1,214,919	1,435,249	1,070,764	-	1,070,764
Public safety	3,837,509	-	-	(3,837,509)	-	(3,837,509)
Health and welfare	138,610	-	-	(138,610)	-	(138,610)
Public works	412,352	-	-	(412,352)	-	(412,352)
Highways and streets	1,429,820	-	-	(1,429,820)	-	(1,429,820)
Culture and recreation	2,231,612	-	-	(2,231,612)	-	(2,231,612)
Interest relating to long-term debt	56,608	-	-	(56,608)	-	(56,608)
Total governmental activities	9,685,915	1,214,919	1,435,249	(7,035,747)	-	(7,035,747)
Business-type activities:						
Joint Enterprise	7,616,372	6,692,410	54,570	-	(869,392)	(869,392)
Total business-type activities	7,616,372	6,692,410	54,570	-	(869,392)	(869,392)
Total primary government	\$ 17,302,287	7,907,329	1,489,819	(7,035,747)	(869,392)	(7,905,139)
General Revenues:						
Taxes				5,108,743	85,905	5,194,648
Licenses, permits, fees, and fines				925,410	-	925,410
Special Assessments				87,406	-	87,406
Contributions and donations				16,148	-	16,148
Miscellaneous				249,882	543,289	793,171
Interest				9,060	9,652	18,712
Total general revenues				6,396,649	638,846	7,035,495
Transfers in/out				(124,117)	124,117	-
Change in net position				(763,215)	(106,429)	(869,644)
Net position - beginning of year, as previously reported				9,724,460	12,445,459	22,169,919
Restatement (Note 15)				-	(1,174,375)	(1,174,375)
GASB 75 Implementation (Note 16)				(4,252,277)	(1,764,200)	(6,016,477)
Net position - beginning of year, as restated				5,472,183	9,506,884	14,979,067
Net position, end of year	\$			4,708,968	9,400,455	14,109,423

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund 101	Non-Major Governmental Funds	Total
ASSETS			
Cash and equivalents	\$ 606,031	976,336	1,582,367
Receivables:			
Taxes	812,438	102,573	915,011
Receivables from external parties	29,167	17,198	46,365
Accounts Receivable, net allowance	472,152	-	472,152
Inventories	5,886	-	5,886
Due from other funds	-	-	-
<i>Total assets</i>	<u>\$ 1,925,674</u>	<u>1,096,107</u>	<u>3,021,781</u>
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts payable	\$ 25,679	27,331	53,010
Accrued payroll liabilities	116,309	-	116,309
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>141,988</u>	<u>27,331</u>	<u>169,319</u>
DEFERRED INFLOWS OF RESOURCES			
Real estate contract	153,913	-	153,913
Property taxes	87,246	-	87,246
<i>Total deferred inflows of resources</i>	<u>241,159</u>	<u>-</u>	<u>241,159</u>
<i>Fund Balance:</i>			
Nonspendable - inventory	5,886	-	5,886
Restricted for:			
Special revenue funds	-	727,973	727,973
Capital projects funds	-	73,168	73,168
Debt service	-	268,778	268,778
Unassigned	1,536,641	(1,143)	1,535,498
<i>Total fund balance</i>	<u>1,542,527</u>	<u>1,068,776</u>	<u>2,611,303</u>
<i>Total liabilities, deferred inflows of resources and fund balance</i>	<u>\$ 1,925,674</u>	<u>1,096,107</u>	<u>3,021,781</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

Fund balances - total governmental funds	\$ 2,611,303
Amounts reported for governmental 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 funds.	15,254,796
Delinquent property taxes not collected within sixty days after year end are not available to pay for current period expenditures and, therefore, are deferred in the funds	87,246
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to employer pension contributions subsequent to measurement date	1,515,727
Deferred outflows of resources related to employer OPEB contributions subsequent to measurement date	66,503
Deferred inflows of resources related to pension	(1,050,652)
Deferred inflows of resources related to OPEB	(814,762)
Long-term liabilities, including bonds payable, are not due and payable in the current period and accordingly are not reported in the funds:	
Accrued interest expense	(8,560)
Notes payable	(2,094,155)
Net pension liability	(7,012,100)
Net OPEB liability	(3,579,836)
Compensated absences	(266,542)
Total net position of governmental activities	\$ <u><u>4,708,968</u></u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund 101	Non-Major Governmental Funds	Total Governmental Funds
<i>Revenues:</i>			
Taxes	\$ 4,541,227	546,375	5,087,602
Licenses, permits, fees and fines	898,829	26,581	925,410
Charges for services	927,362	287,557	1,214,919
Intergovernmental - state sources	329,979	727,653	1,057,632
Intergovernmental - federal sources	159,985	217,632	377,617
Special assessments	87,406	-	87,406
Contributions and donations	10,148	6,000	16,148
Investment earnings	4,754	4,306	9,060
Other	249,382	500	249,882
<i>Total revenues</i>	<u>7,209,072</u>	<u>1,816,604</u>	<u>9,025,676</u>
<i>Expenditures:</i>			
<i>Current</i>			
General government	1,751,122	-	1,751,122
Public safety	2,912,214	345,268	3,257,482
Health and welfare	138,610	-	138,610
Public works	-	34,625	34,625
Culture and recreation	842,587	1,019,576	1,862,163
Highways and streets	483,352	924,173	1,407,525
Capital outlay	28,364	306,294	334,658
<i>Debt service</i>			
Principal	-	216,308	216,308
Interest and administrative fees	-	56,370	56,370
<i>Total expenditures</i>	<u>6,156,249</u>	<u>2,902,614</u>	<u>9,058,863</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,052,823</u>	<u>(1,086,010)</u>	<u>(33,187)</u>
<i>Other financing sources (uses):</i>			
Transfers in	162,095	1,014,474	1,176,569
Transfers out	(1,269,946)	(30,740)	(1,300,686)
<i>Total other financing sources (uses)</i>	<u>(1,107,851)</u>	<u>983,734</u>	<u>(124,117)</u>
<i>Net change in fund balances</i>	<u>(55,028)</u>	<u>(102,276)</u>	<u>(157,304)</u>
<i>Transfer (Note 14)</i>	(34,001)	34,001	-
<i>Fund balances - beginning of year</i>	<u>1,631,556</u>	<u>1,137,051</u>	<u>2,768,607</u>
<i>Fund balances - end of year</i>	<u>\$ 1,542,527</u>	<u>1,068,776</u>	<u>2,611,303</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ (157,304)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of certain capital outlays is allocated over the estimated useful lives of the assets acquired and reported as depreciation expense. As a result, fund balance decreased by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charged for the year:

Capital expenditures	874,458
Depreciation expense	(1,150,618)

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

Change in property taxes receivable	21,141
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Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Pension expense	(501,889)
OPEB expense	(75,818)

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

Decrease in accrued interest payable	(238)
Increase in accrued compensated absences	10,745
Principal payments on notes	216,308
Loan Proceeds	-

Change in net position of governmental activities	\$ <u><u>(763,215)</u></u>
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See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO

General Fund

**Statement of Revenues, Expenditures and Changes in
Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original			Positive (Negative)
<i>Revenues:</i>				
Taxes	\$ 2,898,776	2,898,776	3,857,971	959,195
Licenses & permits	53,750	53,750	898,829	845,079
Charges for services	711,100	711,100	927,362	216,262
Intergovernmental	2,301,851	2,301,851	489,964	(1,811,887)
Special assessments	90,250	90,250	87,406	(2,844)
Investment earnings	1,000	1,000	4,754	3,754
Contributions & donations	-	-	10,148	10,148
Miscellaneous income	1,201,990	1,201,990	249,382	(952,608)
<i>Total revenues</i>	<u>7,258,717</u>	<u>7,258,717</u>	<u>6,525,816</u>	<u>(732,901)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General Government	2,414,375	2,414,375	1,436,311	978,064
Public Safety	2,814,252	2,814,252	2,912,214	(97,962)
Culture & Recreation	920,927	920,927	842,587	78,340
Health	-	-	138,610	(138,610)
Highways and streets	170,146	178,261	483,352	(305,091)
<i>Noncurrent:</i>				
Capital outlay	-	-	28,364	(28,364)
<i>Total expenditures</i>	<u>6,319,700</u>	<u>6,327,815</u>	<u>5,841,438</u>	<u>486,377</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>939,017</u>	<u>930,902</u>	<u>684,378</u>	<u>(1,219,278)</u>
<i>Other financing sources (uses):</i>				
Transfers in	20,000	20,000	162,095	142,095
Transfers out	<u>(827,329)</u>	<u>(827,329)</u>	<u>(1,269,946)</u>	<u>(442,617)</u>
<i>Total other financing sources (uses)</i>	<u>(807,329)</u>	<u>(807,329)</u>	<u>(1,107,851)</u>	<u>(300,522)</u>
<i>Net change in fund balances</i>	<u>\$ 131,688</u>	<u>123,573</u>	<u>(423,473)</u>	<u>(547,046)</u>
<i>Reconciliation to GAAP basis:</i>				
Changes in revenues			683,256	
Changes in expenses			<u>(314,811)</u>	
Net Change in Fund Balances (GAAP Basis)			<u>\$ (55,028)</u>	

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Net Position-Proprietary Funds
June 30, 2018

	Business-Type Activities Enterprise Fund	
	Joint Utility	
	500	
ASSETS		
<i>Current assets:</i>		
Cash and investments	\$	747,722
Receivables:		
Receivables from external parties		17,291
Accounts receivable, net of allowance		1,577,613
Inventories		90,675
<i>Restricted assets:</i>		
Restricted Cash		38,115
<i>Total restricted assets</i>		<u>38,115</u>
<i>Total current assets</i>		<u>2,471,416</u>
<i>Noncurrent assets:</i>		
Capital assets:		
Assets not being depreciated		
Land and water rights		331,556
Assets being depreciated		
Infrastructure		8,205,493
Buildings		24,988,992
Machinery and equipment		6,020,447
Less accumulated depreciation		<u>(22,651,364)</u>
<i>Total capital assets, net of accumulated depreciation</i>		<u>16,895,124</u>
<i>Total noncurrent assets</i>		<u>16,895,124</u>
Total assets		<u>19,366,540</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension related		619,697
OPEB related		27,591
Total deferred outflows of resources		<u>647,288</u>

CITY OF SOCORRO, NEW MEXICO
Statement of Net Position-Proprietary Funds
June 30, 2018

	Business-Type Activities Enterprise Fund
	Joint Utility 500
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	42,445
Compensated absences current	121,800
Accrued interest payable	54,325
Deposits payable	72,617
Loans payable - current	252,638
Capital leases payable - current	87,692
Bonds payable - current	31,300
Due to other governments	42,431
<i>Total current liabilities</i>	705,248
<i>Noncurrent liabilities</i>	
Loans payable - noncurrent	3,111,143
Capital leases payable - noncurrent	14,615
Bonds payable- noncurrent	1,680,200
Landfill closure costs	314,307
Compensated absences - noncurrent	25,094
Net pension liability	2,606,992
Net OPEB liability	1,485,215
<i>Total noncurrent liabilities</i>	9,237,566
Total liabilities	9,942,814
DEFERRED INFLOWS OF RESOURCES	
Real estate contract	141,872
Pension related	190,655
OPEB related	338,032
Total deferred inflows of resources	670,559
NET POSITION	
Net investment in capital assets	11,717,536
Unrestricted	(2,317,081)
Total net position	\$ 9,400,455

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Fund
	Joint Utility 500
<i>Operating revenues:</i>	
Charges for services	\$ 6,692,410
Miscellaneous	543,289
Total operating revenue	<u>7,235,699</u>
<i>Operating expenses:</i>	
Salaries & Benefits	2,602,069
Natural Gas Purchases	973,114
Other operating expense	2,355,360
Payment in lieu of taxes	320,114
Depreciation	1,276,402
Total operating expenses	<u>7,527,059</u>
Operating loss	(291,360)
<i>Non-operating revenue (expenses)</i>	
Intergovernmental - federal sources	54,570
Intergovernmental - state sources	-
Gross Receipts tax - dedicated	85,905
Interest income	9,652
Interest expense	(89,313)
<i>Net non-operating revenue</i>	<u>60,814</u>
Income before transfers	(230,546)
Transfers in	792,321
Transfers out	(668,204)
Net transfers	<u>124,117</u>
<i>Change in Net Position</i>	<u>(106,429)</u>
Net position - beginning of year, as previously reported	12,445,459
Restatement (Note 15)	(1,174,375)
GASB 75 implementation (Note 16)	(1,764,200)
Net position - beginning of year, as restated	<u>9,506,884</u>
Net position - end of year	<u>\$ 9,400,455</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities
	Enterprise Fund
	Joint
	Utility
	500
	<hr/>
Cash Flows From Operating Activities	
Cash received from customers and others	\$ 7,420,373
Cash payments to vendors and employees	(6,901,587)
	<hr/>
Net cash provided by operating activities	<hr/> 518,786 <hr/>
Cash Flows From Non-Capital Financing	
Gross receipts tax - dedicated	85,905
Transfer and interfund balance settlement	124,117
	<hr/>
Net cash provided by non-capital financing activities	<hr/> 210,022 <hr/>
Cash Flows From Capital and Related Financing Activities	
Capital grants and contributions	54,570
Loan proceeds	54,020
Principal payments on long-term debt	(491,334)
Interest paid	(89,313)
	<hr/>
Purchases of capital assets	(160,207)
	<hr/>
Net cash used by capital and related financing activities	<hr/> (632,264) <hr/>
Cash Flows From Investing Activities	
Interest income	9,652
	<hr/>
Net cash provided by investing activities	<hr/> 9,652 <hr/>
Net increase in cash and cash equivalents	106,196
Cash and cash equivalents, beginning of year (as restated)	679,641
	<hr/>
Cash and cash equivalents, end of year	\$ <hr/> <hr/> 785,837 <hr/>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (291,360)
Adjustments to operating loss to net cash provided by operating activities:	
Depreciation	1,276,402
Change in assets and liabilities:	
Receivables	108,953
Due from other funds	62,913
Inventories	12,808
Accounts Payable	1,300
Compensated Absences	(42,022)
Deposits Payable	38,449
Due to other governments	(358,986)
Deferred inflows - Real estate	(3,566)
Landfill closure liability	(696,547)
Net pension liability and related deferred inflows and outflows	378,986
Net OPEB liability and related deferred inflows and outflows	31,456
	<hr/>
Net cash provided by operating activities	\$ <hr/> <hr/> 518,786 <hr/>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

During fiscal year 2017, GASB Statement No. 77, Tax Abatement Disclosures, became effective. The City does not have any agreements that require disclosure under the standards.

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

The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. As required by GAAP, the financial statements present the City and entities for which the City is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2018.

The government-wide financial statements report information on all of the non-fiduciary activities of the City. Where appropriate, the effect of interfund activity has been removed from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities, and deferred inflows and outflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standard of accounting and financial reporting issued prior to December 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principle ongoing operations.

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

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

The City follows the following revenue recognition principles applied to non-exchange transactions which are in Accordance with GASB Statement 33, *Accounting and Reporting for Non-exchange Transactions*:

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 gross receipts tax, gasoline taxes and cigarette taxes.

Imposed non-exchange revenue – property taxes are levied and collected by the Colfax County treasurer on behalf of the City. The taxes are levied in November and payable in two installments, November 10 and April 10. The County remits to the City a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty and interest 30 days after the date on which they are due.

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

Government-mandated non-exchange transactions and voluntary non-exchange 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.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

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.

The City reports the following major enterprise funds:

Joint Enterprise Fund – to account for the activities of the City's natural gas, water, wastewater, solid waste, landfill and recycling operations.

Proprietary funds financial statements are reported using the measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The City reports the following fund types:

General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important functions of the City, including the City's general services and administration, are accounted for in this fund.

Special Revenue Funds are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those constructed for proprietary funds.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term principal, interest and related costs.

The **Proprietary Funds** are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Investments

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

Investments are stated at fair value that is determined using selected bases. Investments with managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset into three levels:

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

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

Inventory

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

Real Estate Contract – Land Sale

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

Capital Assets

Capital assets, which include software, library books, property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure assets have high limits that must be met before they are capitalized.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

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

Data Processing Equipment	3 years
Software	5 years
Office Equipment	5 years
Motor Vehicles	5 years
Office Furniture	10 years
Non Office Equipment & Ambulance	10 years
Fire Truck & Facility Improvements	20 years
Buildings	20-40 years

Compensated Absences

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

Long-term Obligations

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

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are non-spendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Non-spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Assigned. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City, or a management official delegated that authority by the formal City action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. All Interfund activity has been eliminated at the government wide level.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitation 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. All other net position components that do not meet the definition of "restricted" or "net investment in capital assets, net of related debt" are included in unrestricted net position. The Government-wide Statement of Net Position reports \$1,137,051 of governmental activities restricted net position, of \$680,604 is restricted by enabling legislation.

Cash Flows

For purposes of the Statement of Cash Flows, all highly liquid assets with a maturity of three months or less are considered to be cash equivalents.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Budgetary Information

Actual amounts on the budgetary basis are prepared on the GAAP basis of accounting, which recognizes revenues when earned and expenditures when incurred. Annual budgets are adopted for the general, special revenue, capital projects and enterprise funds. The City follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them based on previous years' history. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of a resolution.
2. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund and enterprise funds.
4. The level of classification detail in which expenditures or expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

Use of Estimates in Preparing Financial Statements

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 estimated.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 2. CASH AND INVESTMENTS

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

All of the City's accounts are held at insured depository institutions, including all noninterest-bearing transaction accounts, which will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000 per institution.

The pledged collateral is listed on the schedule below. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are: 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation. At June 30, 2018, \$875,792 of the City's bank balance of \$1,184,334 was exposed to custodial credit risk. \$1,395,946 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name.

	First State Bank	Washington Federal	Total
Amount of deposits	\$ 1,125,792	58,542	1,184,334
FDIC coverage	(250,000)	(58,542)	(308,542)
Total uninsured public funds	875,792	-	875,792
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name	1,395,946	-	1,395,946
Uninsured and uncollateralized	-	-	-
Collateral requirement (50%)	437,896	-	437,896
Over (under) collateralization	\$ 958,050	-	958,050

The collateral pledged is listed on page 74 of this report. The types of collateral are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

Reconciliation to the Statement of Net Position

Cash and cash equivalents	\$ 2,368,204
Add: outstanding checks	316,636
Less: deposits in transit	31,709
Less: investments	966,042
Less: NMFA cash	501,755
Less: petty cash	1,000
Bank balance of deposits	\$ 1,184,334

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments

The City holds investments in a government money market mutual fund held by Wells Fargo Securities, totaling \$966,042 as of June 30, 2018. The City has no formal investment policy over the investments.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer. The City’s exposure to custodial credit risk for investments at June 30, 2018 is as follows:

<u>Investment Type</u>	<u>Custodian</u>	<u>Fair Value</u>
Mutual Funds	Wells Fargo Securities	\$ 966,042

In accordance with GASB 40, the City’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the counterparty. All of the City’s investments are purchased through Wells Fargo Brokerage Services. Wells Fargo & Company holds all U.S. depository – eligible securities with the federally regulated Depository Trust Company (DTC) or through the Federal Reserve Bank System in Wells Fargo’s name. The Advanced Government Money Market Fund investment of the City meet the above criteria and the cost subject to custodial credit risk is \$966,042. The City does not have a formal investment policy to limit this risk.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a policy on investment credit risk. The City’s investments in Government Money Market were rated AAA-mf by Moody’s Investor Services and AAAm by Standard & Pools.

Concentration of Credit Risk – Investments

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

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices (unadjusted) for the identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal to principal markets.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- Level 3 inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers, but the City considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The City has the following recurring fair value measurements as of June 30, 2018:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment held by the City:				
Mutual Funds – Equities	\$ <u>966,042</u>	<u>966,042</u>	<u>-</u>	<u>-</u>
Total investments				
subject to leveling	\$ <u><u>966,042</u></u>	<u><u>966,042</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Investments measured at the net asset value (NAV):	\$ <u>-</u>			
Total investments	\$ <u><u>966,042</u></u>			

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 3. ACCOUNTS RECEIVABLE

Governmental accounts receivables – customers represent billings for ambulance transport services. Business-Type Activities accounts receivable – customers represents billings for water, waste water and solid waste fees. It is management’s policy to cut off water and waste water service for non-payment. A lien is place on the properties which have outstanding balances. Accounts receivable is comprised of the following at June 30, 2018:

<u>Accounts Receivable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Accounts Receivable - Customers	\$ 1,356,530	1,599,751	2,956,281
Less Allowance for uncollectible	(884,378)	(22,138)	(906,516)
Net Accounts Receivables	472,152	1,577,613	2,049,765
Taxes Receivable:			
Joint Enterprise Fund	-	17,291	17,291
General Fund	812,438	-	812,438
Municipal Streets Fund	25,820	-	25,820
Lodgers Tax Fund	13,141	-	13,141
Lodgers Tax Promo Fund	30,664	-	30,664
Convention Center Fund	13,394	-	13,394
INRF Loan Intercept/Reserve	19,554	-	19,554
Total Intergovernmental Rec.	915,011	17,291	932,302
Receivable from external parties:			
Grants receivable	46,365	-	46,365
Total Receivables from external parties:	46,365	-	46,365
Total Accounts Receivable	\$ <u>1,433,528</u>	<u>1,594,904</u>	<u>3,028,432</u>

Management has determined that all receivables in excess of 120 days comprise the allowance for uncollectible accounts.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>6/30/2017</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>6/30/2018</u> <u>Balance</u>
Capital assets not being depreciated:					
Land	\$ 301,819	-	-	6,405	308,224
Total capital assets not being depreciated	301,819	-	-	6,405	308,224
Capital assets being depreciated:					
Buildings	12,849,612	17,977	-	1,883,089	14,750,678
Vehicles and equipment	7,811,229	35,849	-	(303,378)	7,543,700
Infrastructure	12,577,891	1,010,177	-	(1,775,661)	11,812,407
Total capital assets being depreciated	33,238,732	1,064,003	-	(195,950)	34,106,785
Less accumulated depreciation for:					
Buildings and improvements	6,622,954	402,455	-	-	7,025,409
Vehicles and equipment	6,214,711	295,774	-	-	6,510,485
Infrastructure	5,171,930	452,389	-	-	5,624,319
Total accumulated depreciation	18,009,595	1,150,618	-	-	19,160,213
Total capital assets being depreciated, net	15,229,137	(86,615)	-	(195,950)	14,946,572
Governmental activities capital assets, net	\$ 15,530,956	(86,615)	-	(189,545)	15,254,796

Governmental activities:

General government	\$ 283,683
Public safety	264,642
Public works	331,499
Culture and recreation	270,794
Total depreciation expense	\$ 1,150,618

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 4. CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities</u>	<u>6/30/2017 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>6/30/2018 Balance</u>
Capital assets not being depreciated:					
Land	\$ 337,961	-	-	(6,405)	331,556
Construction in progress	301,961	-	(301,961)	-	-
Total capital assets not being depreciated	639,922	-	(301,961)	(6,405)	331,556
Capital assets being depreciated:					
Plant and equipment	38,746,359	272,623	-	195,950	39,214,932
Total capital assets being depreciated	38,746,359	272,623	-	195,950	39,214,932
Less accumulated depreciation for:					
Plant and equipment	21,374,962	1,276,402	-	-	22,651,364
Total accumulated depreciation	21,374,962	1,276,402	-	-	22,651,364
Total capital assets being depreciated, net	17,371,397	(1,003,779)	-	195,950	16,563,568
Business-type activities capital assets, net	\$ <u>18,011,319</u>	<u>(1,003,779)</u>	<u>(301,961)</u>	<u>189,545</u>	<u>16,895,124</u>

Business-type activities:

Natural gas	\$ 113,486
Waste water	582,483
Solid waste	279,717
Water	300,716
Total depreciation expense	\$ <u>1,276,402</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS

Summary of governmental activity long term obligations:

	June 30, 2017			June 30, 2018		Due Within
	Balance	Additions	Deletions	Balance		One Year
Loans Payable	\$ 2,310,463	-	(216,308)	2,094,155		198,261
Compensated Absences	277,278	264,198	(274,934)	266,542		231,811
Total	\$ 2,587,741	264,198	(491,242)	2,360,697		430,072

Compensated absences related to employees of a given fund are liquidated with money from that fund. Payroll is tracked on a per-fund basis. The majority of compensated absences will be liquidated with money from the general fund.

Management records the pledged revenue related to the debt in another fund and transfer funds to the debt service fund for principal and interest payments.

Governmental Funds -Loans Payable

High School Road /Michigan Avenue Construction

On September 27, 2002, the City obtained a loan from the New Mexico Finance Authority in the amount of \$308,461, and bears interest at 3.554%, with payments due on May 1st and November 1st, maturing May 1, 2022. The loan is for the purpose of street Construction on High School Road. Revenues pledged to service this loan are the first two increments of the Municipal Infrastructure GRT pursuant to section 7-1-6.15 and 7-19D-11 and City ordinance No. 01-09-17. The future requirements for the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,106	2,820	21,926
2020	19,811	2,163	21,974
2021	20,550	1,475	22,025
2022	18,205	754	18,959
Totals	\$ 77,672	7,212	84,884

Infrastructure Projects

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 85,556	8,956	94,512
2020	88,612	6,122	94,734
2021	91,824	3,140	94,964
Totals	\$ 265,992	18,218	284,210

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Fire Station Renovation Project

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	32,338	2,882	35,220
2020		33,201	2,019	35,220
2021		34,153	1,069	35,222
Totals	\$	99,692	5,970	105,662

Rodeo Sports Facility

The City entered into a loan agreement with the New Mexico Finance Authority (NMFA) to borrow funds for the construction of rodeo and sports facilities. The loan was finalized on June 14, 2013, with the City borrowing \$1,495,751. The note bears interest at 2.344%, with an annual interest payment due in May and interest payments due in May and November of each year, maturing on May 1, 2038. Lodger's tax revenues of approximately 3% are the pledged revenues for this loan.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	49,471	29,400	78,871
2020		50,125	28,796	78,921
2021		50,937	28,035	78,972
2022		51,884	27,192	79,076
2023		52,974	26,100	79,074
2024-2028		285,666	110,524	396,190
2029-2033		331,474	66,231	397,705
2034-2038		387,413	12,062	399,475
Totals	\$	1,259,944	328,340	1,588,284

Fire Truck

The City entered into a loan agreement with the New Mexico Finance Authority (NMFA) to borrow funds for the purchase of a new fire truck for the City. The loan was finalized on June 9, 2017, with the City borrowing \$425,567. The note bears interest at 0.925819%, with an annual principal and interest payments due in May of each year, maturing on May 1, 2027. The payments of this loan are to be made solely from the Pledged Revenues, special reserve funds of the Finance Authority, or the proceeds of refunding bonds or other refunding obligations.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	11,790	8,010	19,800
2020		18,667	4,096	22,763
2021		18,899	3,861	22,760
2022		54,392	3,591	57,983
2023		55,251	2,731	57,982
2024-2027		231,856	2,644	234,500
Totals	\$	390,855	24,933	415,788

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Summary of Business-type long term obligations:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable	\$ 3,318,657	417,466	(372,342)	3,363,781	252,638
Bonds Payable	1,742,800	-	(31,300)	1,711,500	31,300
Capital Lease	189,999	-	(87,692)	102,307	87,692
Compensated Absences	188,916	134,305	(176,327)	146,894	121,800
Total	\$ 5,440,372	551,771	(667,661)	5,324,482	493,430

Landfill Scale House

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the purchase of a landfill scale house with associated land improvements. The loan was finalized on July 6, 2002, with the City borrowing \$526,185. The note bears interest at 4.248%, which includes the NMFA administrative expense of 0.25%. Principal payments on the loan are due on May 1st and interest payments are due May and November 1st, maturing on May 1, 2022. Revenues pledged for the payment of this loan are the Municipal Environment Services GRT pursuant to section 7-19D-10 and 7-1-6.15, and City resolution No. 02-06-17-1.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	33,333	6,053	39,386
2020		34,818	4,654	39,472
2021		36,381	3,180	39,561
2022		38,024	1,631	39,655
Totals	\$	142,556	15,518	158,074

Landfill Improvements

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	51,418	26,157	77,575
2020		52,925	24,649	77,574
2021		54,612	22,962	77,574
2022		56,450	21,124	77,574
2023		58,452	19,122	77,574
2024-2028		328,563	59,312	387,875
2029		74,277	3,297	77,574
Totals	\$	676,697	176,623	853,320

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Wastewater Treatment Plant Improvements

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	3,754	-	3,754
2020		3,754	-	3,754
2021		3,754	-	3,754
2022		3,754	-	3,754
2023		3,754	-	3,754
2024-2028		18,770	-	18,770
2029-2030		7,508	-	7,508
Totals	\$	<u>45,048</u>	<u>-</u>	<u>48,048</u>

Drinking Water Replacement of Meter Readers

The City entered into a loan agreement with the New Mexico Finance Authority for the purpose of replacing manual-read meters with a drive-by / walk-by automated meter reading system. The loan was finalized on May 28, 2013 with the City borrowing \$183,315. The loan bears interest at 0.25% and payments of \$18,854 are due annually in June, maturing in May 2024.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	18,312	276	18,588
2020		18,358	231	18,589
2021		18,403	185	18,588
2022		18,450	139	18,589
2023		18,496	93	18,589
2024		18,542	46	18,588
Totals	\$	<u>110,561</u>	<u>970</u>	<u>111,531</u>

Drinking Water System Improvement Project

The City entered into a loan agreement with the New Mexico Finance Authority to finance the design, acquisition, construction, improvement, expansion, and repair of drinking water systems for the community on June 28, 2014. The project is underway and the loan amount to date is \$436,863 with a maximum loan amount of \$484,000. The loan bears an interest rate of 0.25%, and matures in April 2036.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	23,798	1,084	24,882
2020		23,857	1,024	24,881
2021		23,917	964	24,881
2022		23,977	905	24,882
2023		24,037	845	24,882
2024-2028		121,088	3,319	124,407
2029-2033		122,619	1,798	124,417
2034-2036		74,109	341	74,450
Totals	\$	<u>437,402</u>	<u>10,280</u>	<u>447,682</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Wastewater Collection System Expansion

The City entered into a loan agreement with the New Mexico Environment Department for the purpose of wastewater system expansion to residents who are currently using aged septic tanks and other systems for their wastewater disposal. The loan was finalized May 6, 2015 with the City borrowing \$950,000. The project is complete and the loan bears interest at 0% with annual payments of \$47,500, maturing March 2035.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	47,500	-	47,500
2020		47,500	-	47,500
2021		47,500	-	47,500
2022		47,500	-	47,500
2024		47,500	-	47,500
2024-2028		237,500	-	237,500
2029-2033		237,500	-	237,500
2034-2035		95,000	-	95,000
Totals	\$	<u>807,500</u>	<u>-</u>	<u>807,500</u>

Gas Valve Project

The City entered into a loan agreement with the New Mexico Finance Authority for the purpose of financing costs associated with natural gas transmission line replacement. The loan was finalized September 30, 2016 with the City borrowing \$810,929. The loan has a blended rate of 0.246972%. Principal and interest payments on the loan are due May 1st and November 1st, maturing on May 1, 2031.

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	53,650	1,990	55,640
2020		54,068	1,625	55,693
2021		54,549	1,198	55,747
2022		55,106	696	55,802
2023		55,745	621	56,366
2024-2028		282,970	1,701	284,671
2029-2031		170,463	341	170,804
Totals	\$	<u>726,551</u>	<u>8,172</u>	<u>734,723</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Clean Water State Revolving Fund (CWSRF)

The City entered into a loan agreement with the New Mexico Environment Department for the purpose of repayment of construction expenses paid by New Mexico Environment Department for the construction of the wastewater facility. The loan was finalized April 12, 2018 with the City borrowing \$417,466. The loan does not charge interest. Principal and interest payments on the loan are due February 27th of each year, maturing on February 27, 2038.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,873	-	20,873
2020	20,873	-	20,873
2021	20,873	-	20,873
2022	20,873	-	20,873
2023	20,873	-	20,873
2024-2028	104,365	-	104,365
2029-2033	104,366	-	104,366
2034-2038	104,370	-	104,370
Totals	\$ 417,466	-	417,466

Revenue Bonds Payable

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

<u>Series</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Balance</u>
2010 Joint Utility System	\$ 132,000	2/19/2050	2.625%	115,500
2011A Joint Utility System	515,000	8/4/2051	2.500%	466,000
2013A Joint Utility System	1,230,000	1/18/2053	2.500%	1,130,000
Improvement Revenue Bonds - Total				\$ <u>1,711,500</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Amortizations on these bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,300	3,100	5,400
2020	2,400	3,000	5,400
2021	2,400	3,000	5,400
2022	2,500	2,900	5,400
2023	2,600	2,800	5,400
2024-2028	13,900	13,100	27,000
2029-2033	15,800	11,200	27,000
2034-2038	18,000	9,100	27,100
2039-2043	20,500	6,500	27,000
2044-2048	23,300	3,700	27,000
2049-2050	11,800	600	12,400
Totals	\$ 115,500	59,000	174,500

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 9,000	11,700	20,700
2020	9,000	11,500	20,500
2021	9,000	11,200	20,200
2022	10,000	11,000	21,000
2023	10,000	10,800	20,800
2024-2028	53,000	50,000	103,000
2029-2033	60,000	43,000	103,000
2034-2038	68,000	35,100	103,100
2039-2043	77,000	26,200	103,200
2044-2048	86,000	16,200	102,200
2049-2052	75,000	4,800	79,800
Totals	\$ 466,000	231,500	697,500

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,000	28,250	48,250
2020	20,000	27,750	47,750
2021	20,000	27,250	47,250
2022	20,000	26,750	46,750
2023	20,000	26,250	46,250
2024-2028	110,000	123,750	233,750
2029-2033	150,000	107,500	257,500
2034-2038	150,000	88,750	238,750
2039-2043	180,000	69,250	249,250
2044-2048	200,000	45,000	245,000
2049-2053	240,000	19,250	259,250
Totals	\$ 1,130,000	589,750	1,719,750

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 5. LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases

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

The future requirements for capital leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 87,692	1,959	89,651
2020	14,615	58	14,673
Total	\$ 102,307	2,017	104,324

Accrued Compensated Absences

It is the policy of the City to grant each permanent and probationary full-time employee annual leave based on the following schedule.

<u>Total Years of Service</u>	<u>Yearly Accumulation</u>
0 – 5 (inclusive)	96 hours
6 – 19 (inclusive)	144 hours
20 or more	160 hours

Landfill Closure and Post Closure Costs

State and Federal law regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$314,307 reported as landfill closure liability (includes: landfill closure, post closure care, phase I and phase II assessments and corrective action costs) at June 30, 2018, represents the cumulative amount reported to date based on management’s estimates and on the area used by the landfill. Actual costs may differ due to inflation and changes in technology and regulations. The current site was closed in 2014.

NOTE 6. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Major Funds	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Governmental Activities</i>		
General	\$ 162,095	1,269,946
<i>Business-type Activities</i>		
Joint Enterprise	792,321	668,204
Total Major Funds	954,416	1,938,150
Non-Major Funds	1,014,474	30,740
	\$ 1,968,890	1,968,890

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. The Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions; and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978); the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978); the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978, and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

Benefits Provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers, and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Contributions. See PERA’s compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For PERA Fund Division Municipal General, at June 30, 2018, the City reported a liability of \$5,339,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.3886%, which was an increase of 0.0076% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Plan pension expense of \$629,407. At June 30, 2018, the City reported PERA Fund Division Municipal Plan deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 209,814	(273,484)
Changes in assumptions	246,239	(55,178)
Net difference between projected and actual earnings on pension plan investments	438,090	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	64,593	(61,841)
City's contributions subsequent to the measurement date	310,541	-
Total	\$ 1,269,277	(390,503)

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$310,541 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	134,732
2020		471,630
2021		89,900
2022		(128,029)
2023		-
Total:	\$	<u>568,233</u>

For PERA Fund Division Municipal Police Plan, at June 30, 2018, the City reported a liability of \$1,637,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City’s proportion was 0.2948%, which was a decrease of 0.165% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Police Plan pension expense of \$138,587. At June 30, 2018, the City reported PERA Fund Division Municipal Police Plan deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	99,472	(306,009)
Changes in assumptions		97,444	(38,084)
Net difference between projected and actual earnings on pension plan investments		131,903	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions		-	(119,280)
City’s contributions subsequent to the measurement date		<u>118,788</u>	<u>-</u>
Total	\$	<u>447,607</u>	<u>(463,373)</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$118,788 reported as deferred outflows of resources related to pensions resulting from the Village’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	(69,065)
2020		42,163
2021		(69,085)
2022		(38,567)
2023		-
Total:	\$	<u>(134,554)</u>

For PERA Fund Division Municipal Fire Plan, at June 30, 2018, the City reported a liability of \$2,641,592 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City’s proportion was 0.4617%, which was a decrease of 0.0058% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal Fire Plan pension expense of \$278,409. At June 30, 2018, the City reported PERA Fund Division Municipal Fire Plan deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,253	(330,770)
Changes in assumptions	104,433	(16,562)
Net difference between projected and actual earnings on pension plan investments	99,163	-
Changes in proportion and differences between City’s contributions and proportionate share of contributions	1,984	(40,099)
City’s contributions subsequent to the measurement date	<u>126,707</u>	<u>-</u>
Total	\$ <u>418,540</u>	<u>(387,431)</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$126,707 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (15,515)
2020	22,935
2021	(74,449)
2022	(28,569)
2023	-
Total:	<u><u>\$ (95,598)</u></u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefits	100 years
Payroll Growth	2.75% for first 9 years, then 3.25% annual rate
Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board used in the June 30, 2016 actuarial valuation.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

Discount rate. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 7. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

PERA Fund Division Municipal Plan

	1.00% Decrease (6.51%)	Current Discount Rate (7.51%)	1.00% Increase (8.51%)
Proportionate share of the net pension liability	\$ 8,369,062	5,339,693	2,820,351

PERA Fund Division Municipal Police Plan

	1.00% Decrease (6.51%)	Current Discount Rate (7.51%)	1.00% Increase (8.51%)
Proportionate share of the net pension liability	\$ 2,611,848	1,637,807	838,463

PERA Fund Division Municipal Fire Plan

	1.00% Decrease (6.51%)	Current Discount Rate (7.51%)	1.00% Increase (8.51%)
Proportionate share of the net pension liability	\$ 3,540,416	2,641,592	1,900,878

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

Payables to the pension plan. The City remits the legally required employer and employee contributions on a monthly basis to PERA. At June 30, 2018, the City owed the PERA \$24,127 for the contributions withheld in the month of June 2018.

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)

General Information about the OPEB

Plan description. Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (CONTINUED)

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	51,208
Current retirees and surviving spouses	11,478
Inactive and eligible for deferred benefit	97,349
Current active members	3,820
	160,035
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$94,094 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$5,065,051 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City’s proportion was 0.11177 percent.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (OPEB) (CONTINUED)

For the year ended June 30, 2018, the City recognized OPEB expense of \$201,370. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(194,370)
Changes in assumptions	-	(885,560)
Differences between actual and projected earnings on OPEB plan investments	-	(72,864)
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	-
City's contributions subsequent to the measurement date	<u>94,094</u>	<u>-</u>
Total	\$ <u>94,094</u>	<u>(1,152,794)</u>

Deferred outflows of resources totaling \$94,094 represent City contributions to the fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(245,092)
2020		(245,092)
2021		(245,092)
2022		(245,092)
2023		<u>(172,426)</u>
Total:	\$	<u>(1,152,794)</u>

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (OPEB) (CONTINUED)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) (OPEB) (CONTINUED)

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029.

Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

<u>1% Decrease (2.81%)</u>	<u>Current Discount (3.81%)</u>	<u>1% Increase (4.81%)</u>
\$ 6,143,828	\$ 5,065,051	\$ 4,218,653

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 4,308,175	\$ 5,065,051	\$ 5,655,227

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the City reported a payable of \$4,000 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 9. 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 government carries commercial insurance. The City participates in the New Mexico Mutual for workers' compensation claims. In addition, the City has obtained insurance through a commercial carrier operating as a common risk management and insurance program. The City pays an annual premium to a commercial carrier for its general coverage and all risk of loss is transferred.

The City had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal year ended June 30, 2018, there were no settlements that exceeded insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 10. RELATED PARTY TRANSACTIONS

The City's mayor, council members, and employees own various businesses in their local area. For the year ending June 30, 2018, the City paid Best Western Socorro – Hotel and Suites \$883 for room rentals and Bhasker Medical Clinic \$7,687 for the drug screening of the City's new hires, both of which are owned by Mayor Ravi Bhasker; the City paid Hicks Paint & Body \$1,528, owned by Council Member Gordon Hicks, for body work and towing services; the City paid Toby Jaramillo, Council Member, \$250 for band services; the City paid Trujillo Signs \$2,514, owned by Rick Trujillo, Compliance Officer, for embroidery services; and the City paid Anthony Lukesh Suavacito, related to Jeanette Lukesh, A/P Clerk, \$2,500 for contracted janitorial services as well as Carl Lukesh, related to Jeanette Lukesh, \$15,300 for contracted janitorial services.

NOTE 11. CAPITAL OUTLAY APPROPRIATIONS

Capital outlay appropriations are as follows:

Capital Project	Project Appropriations	2018 Expenditures	Expenditures To Date	Project Funds Outstanding	Appropriation Period
RODEO/CONV CTR-14L2008	\$ 300,000	3,000	300,000	-	9/9/14 to 6/30/18
WWTP/COLLECTION SYSTEM	\$ 400,000	17,153	400,000	-	10/18/14 to 6/30/18

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2018 which is the date on which the financial statements were issued.

NOTE 13. DEFICIT FUND BALANCE

The following fund had a deficit fund balance at June 30, 2018:

State Fire Protection Fund (209)	\$ 1,399
Recreation Fund (217)	2,077
Rodeo Area (249)	3,948
Total:	\$ 7,424

CITY OF SOCORRO, NEW MEXICO
Notes to the Financial Statements
June 30, 2018

NOTE 14. TRANSFER OF FUNDS

Prior to fiscal year 2018, the municipal streets fund was represented as a roll-up to the general fund. The City elected to break out and reclassify the balances into a stand-alone fund, resulting in a transfer of fund balance of \$34,001 from the general fund to the municipal streets fund.

	<u>Beginning Net Position</u>	<u>Transfer out</u>	<u>Transfer In</u>	<u>Change in Net Position</u>	<u>Ending Net Position</u>
Fund 101	\$ 1,631,556	(34,001)	-	(55,028)	1,542,527
Fund 216	-	-	34,001	(23,946)	10,055

NOTE 15. RESTATEMENT

During the fiscal year ended June 30, 2018, the City initially recorded the NMFA Gas Valve Loan acquired in fiscal year 2017 as an increase in cash and in revenues. An adjustment was then made in order to reflect the liability as an increase in debt and an increase in cash rather than a decrease in revenue. This adjustment led to an overstatement of revenue and cash of \$810,929. Therefore, beginning cash in the statement of cash flows was reduced by this amount from \$1,490,570 to \$679,641.

Additionally, for the NMED – Clean Water State Revolving fund liability, principal payments were set to begin during fiscal year 2018. However, the original agreement and expenditures began during fiscal year 2015. The liability should have been recognized by the City as reimbursed expenditures were incurred. Therefore, we will restate the net position for the total of expenditures incurred in prior years of \$363,446. This adjustment also led to a prior year understatement of debt of \$363,446 which will be recognized in the statement of cash flows as a reduction of the loan proceed activity from \$417,466 to \$54,020.

These adjustments lead to a total reduction of the net position of the joint utility fund of \$1,174,375.

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017 has been restated as follows in accordance with financial reporting requirements of Governmental Accounting Standards Board’s Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions:

Governmental Funds	
Net position as previously reported	\$ 9,724,460
GASB 75 implementation	<u>(4,252,277)</u>
Net position, as restated	<u>\$ 5,472,183</u>
Business-Type Funds	
Net position as previously reported	\$ 12,445,459
Restatement (Note 15)	(1,174,375)
GASB 75 implementation	<u>(1,764,200)</u>
Net position, as restated	<u>\$ 9,506,884</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOCORRO, NEW MEXICO
Schedule of the City's Proportionate Share of the Net Pension Liability
June 30, 2018

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data*
(Dollars in Thousands)

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
City's Proportion of the Net Pension Liability (Asset)	1.1451%	1.1598%	1.1699%	1.2226%
City's Proportionate Share of Net Pension Liability (Asset)	\$ 9,619	11,503	7,874	\$ 6,224
City's Covered-Employee Payroll	4,465	4,580	8,084	\$ 6,552
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	215.41%	250.56%	97.40%	94.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.18%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2018

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data*
General, Police and Fire Divisions Combined Summary
(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 557	565	906	920
Contributions in Relation to the Statutorily Required Contribution	<u>557</u>	<u>565</u>	<u>906</u>	<u>920</u>
Annual Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2018

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data
General Division
(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 311	326	590	638
Contributions in Relation to the Statutorily Required Contribution	<u>311</u>	<u>326</u>	<u>590</u>	<u>638</u>
Annual Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2018

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data
Police Division
(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 119	115	170	141
Contributions in Relation to the Statutorily Required Contribution	<u>119</u>	<u>115</u>	<u>170</u>	<u>141</u>
Annual Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

CITY OF SOCORRO, NEW MEXICO
Schedule of City Contributions
June 30, 2018

Public Employees Retirement Association of New Mexico
Schedule of Ten Year Tracking Data
Fire Division
(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contribution	\$ 127	124	160	127
Contributions in Relation to the Statutorily Required Contribution	<u>127</u>	<u>124</u>	<u>160</u>	<u>127</u>
Annual Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Socorro is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
CITY OF SOCORRO
Schedule of Proportionate Share of the Net OPEB Liability
June 30, 2018**

New Mexico Retiree Health Care OPEB Plan

	<u>2018*</u>
Employer's portion of the net OPEB liability	0.11177%
Employer's proportionate share of the net OPEB liability	\$ 5,065,051
Employer covered-employee payroll	4,655,944
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for available years.

**STATE OF NEW MEXICO
CITY OF SOCORRO
Schedule of Employer's Contributions
June 30, 2018**

New Mexico Retiree Health Care OPEB Plan

	2018*
Contractually required contributions	\$ <u>354,922</u>
Contributions in relation to the contractually required contribution	<u>178,131</u>
Contribution deficiency (excess)	\$ <u><u>176,791</u></u>
Employer's covered-employee payroll	\$ 4,665,944
Contributions as a percentage of covered-employee payroll	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for available years.

CITY OF SOCORRO, NEW MEXICO
Notes to Required Supplementary Information
June 30, 2018

Changes of Benefit Terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. <https://www.saonm.org>

Assumptions. The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

*Refer to the RHCA Report for the OPEB related notes.

SUPPLEMENTARY INFORMATION

CITY OF SOCORRO, NEW MEXICO
Nonmajor Governmental Fund Descriptions
June 30, 2018

SPECIAL REVENUE FUNDS:

Sedillo Park Renovations Fund – 107

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

Correctional Fees Fund – 201

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

Emergency Medical Services Fund – 206

To account for all rescue operations undertaken by the Fire Department and funded through State grants. The fund was established by sections 24-10A-1 through 24-10A-10 NMSA, 1978.

State Fire Protection Fund – 209

To account for the operations and maintenance of the Fire Department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. The fund was established by section 59-A-53-1 NMSA, 1978.

Law Enforcement Protection Fund – 211

To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is section 29-13-14 NMSA, 1978.

Lodgers Tax Fund – 214

To account for lodgers tax collections. The tax is to be used for anything associated with tourist related facilities, attractions, and transportation systems. The fund was established by section 3-38-14 NMSA, 1978.

Lodgers Tax Promotional Fund – 215

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

Municipal Streets Fund – 216

To account for the gas tax collected and operations and maintenance of City streets.

Recreation Fund – 217

To account for City revenues and expenditures relating to recreational facilities and sports and recreation programs. The monetary funds to support the activities carried out in this fund come from the State. The fund was established by section 7-12-15 NMSA, 1978.

CITY OF SOCORRO, NEW MEXICO
Nonmajor Governmental Fund Descriptions
June 30, 2018

SPECIAL REVENUE FUNDS (CONTINUED):

Library Trustee Fund – 218

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

Juvenile Justice Grant Fund – 241

To account for grant funds used for programs and workshops administered for the benefit of the youth.

Rodeo Arena Fund – 249

To account for City revenues and expenditures related to the rodeo arena facilities.

Convention Center Fund – 250

To account for the costs for design, construction, equipping, furnishing, landscaping, operation and maintenance of the convention center. Financing is provided by a fee charged to each lodger for each day the room within city limits is occupied by a vendor not otherwise exempted by the Act. New Mexico Legislature enacted the Convention Center Financing Act during 2003 Legislative Session and requires the tax to be used in this manner.

CAPITAL PROJECTS FUNDS:

The following capital project funds were established for various construction projects and authorized by the City Council.

Airport Improvement Fund – 304

To account for resources received and used for improvements to the municipal airport. Resources for the projects are provided by an FAA Grant, NM Aviation Division Grant and City matching funds.

Street Improvement Fund – 309

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

Rodeo Area Fund – 311

To account for improvements and facilities to the arena and convention center. Resources for this project are provided by federal and state funding in addition to loans and transfers from the General Fund.

CDBG Cuba Road Phase II – 315

To account for improvements to various roads. Resources for the project are provided by the General Fund, Enterprise Fund, and federal and state funding.

DEBT SERVICE FUND:

Debt Service Fund – 403

To account for accumulation of monies and payment of interest, principal & required reserves on the Master Equipment Lease Purchase Agreement, the HS Road Intercept and Reserve Fund, infrastructure improvements, and the rodeo sports facility loans.

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 647,663	79,449	249,224	976,336
Receivables:				
Taxes	83,019	-	19,554	102,573
Receivables from external parties	17,198	-	-	17,198
Due from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total assets</i>	<u>747,880</u>	<u>79,449</u>	<u>268,778</u>	<u>1,096,107</u>
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts payable	27,331	-	-	27,331
Accrued payroll liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other external parties	-	-	-	-
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>27,331</u>	<u>-</u>	<u>-</u>	<u>27,331</u>
<i>Fund Balance:</i>				
Nonspendable - inventory	-	-	-	-
Restricted for:				
Special revenue funds	727,973	-	-	727,973
Capital projects funds	-	73,168	-	73,168
Debt service	-	-	268,778	268,778
Unassigned	(7,424)	6,281	-	(1,143)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total fund balance (deficit)</i>	<u>720,549</u>	<u>79,449</u>	<u>268,778</u>	<u>1,068,776</u>
<i>Total liabilities and fund balance</i>	<u>\$ 747,880</u>	<u>79,449</u>	<u>268,778</u>	<u>1,096,107</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<i>Revenues:</i>				
Taxes	\$ 429,048	-	117,327	546,375
Licenses, permits, fees and fines	26,581	-	-	26,581
Charges for services	287,557	-	-	287,557
Intergovernmental - state sources	417,268	310,385	-	727,653
Intergovernmental - federal sources	102,209	115,423	-	217,632
Special assessments	-	-	-	-
Contributions and donations	-	6,000	-	6,000
Investment earnings	713	-	3,593	4,306
Other	500	-	-	500
<i>Total revenues</i>	<u>1,263,876</u>	<u>431,808</u>	<u>120,920</u>	<u>1,816,604</u>
<i>Expenditures:</i>				
Current				
General government	-	-	-	-
Public safety	345,268	-	-	345,268
Public works	20,763	13,862	-	34,625
Culture and recreation	1,017,873	161	1,542	1,019,576
Highways and streets	509,555	414,618	-	924,173
Capital outlay	5,360	300,934	-	306,294
Debt service				
Principal	115,226	-	101,082	216,308
Interest and administrative fees	40,271	-	16,099	56,370
<i>Total expenditures</i>	<u>2,054,316</u>	<u>729,575</u>	<u>118,723</u>	<u>2,902,614</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(790,440)</u>	<u>(297,767)</u>	<u>2,197</u>	<u>(1,086,010)</u>
<i>Other financing sources (uses):</i>				
Transfers in	820,101	194,373	-	1,014,474
Transfers out	(23,717)	(7,023)	-	(30,740)
<i>Total other financing sources (uses)</i>	<u>796,384</u>	<u>187,350</u>	<u>-</u>	<u>983,734</u>
<i>Net change in fund balances</i>	5,944	(110,417)	2,197	(102,276)
<i>Transfer (Note 14)</i>	34,001	-	-	34,001
<i>Fund balances (deficits) - beginning of year</i>	<u>680,604</u>	<u>189,866</u>	<u>266,581</u>	<u>1,137,051</u>
<i>Fund balances (deficits) - end of year</i>	<u>\$ 720,549</u>	<u>79,449</u>	<u>268,778</u>	<u>1,068,776</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	<u>Special Revenue</u>			
	Sedillo Park Renovations 107	Corrections Fund 201	State EMS 206	State Fire Protection 209
ASSETS				
Cash and investments	\$ 15,989	2,655	-	528
Receivables:				
Taxes	-	-	-	-
Receivables from external parties	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>15,989</u>	<u>2,655</u>	<u>-</u>	<u>528</u>
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts payable	876	-	-	1,927
Accrued payroll liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other external parties	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>876</u>	<u>-</u>	<u>-</u>	<u>1,927</u>
<i>Fund Balance:</i>				
Nonspendable - inventory	-	-	-	-
Restricted for:				
Special revenue funds	15,113	2,655	-	-
Capital projects funds	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	(1,399)
<i>Total fund balance (deficit)</i>	<u>15,113</u>	<u>2,655</u>	<u>-</u>	<u>(1,399)</u>
<i>Total liabilities and fund balance</i>	<u>\$ 15,989</u>	<u>2,655</u>	<u>-</u>	<u>528</u>

See notes to the financial statements.

Special Revenue

LEPF Fund 211	Lodgers Tax 214	Lodgers Tax Promotion 215	Municipal Streets 216	Recreation Fund 217
-	25,726	180,762	86	386
-	13,141	30,664	25,820	-
-	-	-	-	-
-	-	-	-	-
-	38,867	211,426	25,906	386
-	2,102	-	15,851	2,463
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,102	-	15,851	2,463
-	-	-	-	-
-	36,765	211,426	10,055	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(2,077)
-	36,765	211,426	10,055	(2,077)
-	38,867	211,426	25,906	386

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue					
	Library Trustee 218	Juvenile Justice 241	Rodeo Area 249	Convention Center 250	Solano Economic Development 252	Total Special Revenue Funds
ASSETS						
Cash and investments	\$ 1,669	14,856	164	404,842	-	647,663
Receivables:						
Taxes	-	-	-	13,394	-	83,019
Receivables from external parties	-	17,198	-	-	-	17,198
Due from other funds	-	-	-	-	-	-
<i>Total assets</i>	<u>1,669</u>	<u>32,054</u>	<u>164</u>	<u>418,236</u>	<u>-</u>	<u>747,880</u>
LIABILITIES AND FUND BALANCE						
<i>Liabilities:</i>						
Accounts payable	-	-	4,112	-	-	27,331
Accrued payroll liabilities	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other external parties	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>4,112</u>	<u>-</u>	<u>-</u>	<u>27,331</u>
<i>Fund Balance:</i>						
Nonspendable - inventory	-	-	-	-	-	-
Restricted for:						
Special revenue funds	1,669	32,054	-	418,236	-	727,973
Capital projects funds	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unassigned	-	-	(3,948)	-	-	(7,424)
<i>Total fund balance (deficit)</i>	<u>1,669</u>	<u>32,054</u>	<u>(3,948)</u>	<u>418,236</u>	<u>-</u>	<u>720,549</u>
<i>Total liabilities and fund balance</i>	<u>\$ 1,669</u>	<u>32,054</u>	<u>164</u>	<u>418,236</u>	<u>-</u>	<u>747,880</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Sedillo Park Renovations 107	Corrections Fund 201	State EMS 206	State Fire Protection 209
<i>Revenues:</i>				
Taxes	-	-	-	-
Licenses, permits, fees and fines	-	26,581	-	-
Charges for services	25,048	-	-	-
Intergovernmental - State sources	-	-	20,000	197,459
Intergovernmental - Federal sources	-	-	-	-
Contributions and donations	-	-	-	-
Investment earnings	-	-	-	289
Miscellaneous	-	-	-	-
Total revenues	25,048	26,581	20,000	197,748
<i>Expenditures:</i>				
Current				
General government	-	-	-	-
Public safety	-	61,160	20,000	122,405
Public works	20,763	-	-	-
Culture and recreation	-	-	-	-
Highways and streets	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	72,942
Interest and administrative fees	-	-	-	3,966
Total expenditures	20,763	61,160	20,000	199,313
<i>Excess (deficiency) of revenues over expenditures</i>	<u>4,285</u>	<u>(34,579)</u>	<u>-</u>	<u>(1,565)</u>
<i>Other financing sources (uses):</i>				
Transfers in	6,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	10,285	(34,579)	-	(1,565)
<i>Transfer (Note 14)</i>	-	-	-	-
<i>Fund balances (deficits) - beginning of year</i>	<u>4,828</u>	<u>37,234</u>	<u>-</u>	<u>166</u>
<i>Fund balances (deficits) - end of year</i>	<u>\$ 15,113</u>	<u>2,655</u>	<u>-</u>	<u>(1,399)</u>

See notes to the financial statements.

Special Revenue

LEPF Fund 211	Lodgers Tax 214	Lodgers Tax Promotion 215	Municipal Streets 216	Recreation Fund 217
-	144,630	284,418	-	-
-	-	-	-	-
-	-	5,228	-	43,315
27,800	-	-	172,009	-
-	-	-	-	-
-	-	-	-	-
-	-	424	-	-
-	-	-	100	400
<u>27,800</u>	<u>144,630</u>	<u>290,070</u>	<u>172,109</u>	<u>43,715</u>
-	-	-	-	-
27,800	-	-	-	-
-	-	-	-	-
-	116,648	230,817	-	385,079
-	-	-	509,555	-
-	-	-	-	-
-	-	42,284	-	-
-	-	36,305	-	-
<u>27,800</u>	<u>116,648</u>	<u>309,406</u>	<u>509,555</u>	<u>385,079</u>
-	27,982	(19,336)	(337,446)	(341,364)
-	-	-	316,500	334,518
-	(20,716)	(1)	(3,000)	-
-	<u>(20,716)</u>	<u>(1)</u>	<u>313,500</u>	<u>334,518</u>
-	7,266	(19,337)	(23,946)	(6,846)
-	-	-	34,001	-
-	29,499	230,763	-	4,769
<u>-</u>	<u>36,765</u>	<u>211,426</u>	<u>10,055</u>	<u>(2,077)</u>

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2018

	Special Revenue					
	Library Trustee 218	Juvenile Justice 241	Rodeo Area 249	Convention Center 250	Solaro Economic Development 252	Total Special Revenue Funds
<i>Revenues:</i>						
Taxes	\$ -	-	-	-	-	429,048
Licenses, permits, fees and fines	-	-	-	-	-	26,581
Charges for services	200	-	68,119	145,647	-	287,557
Intergovernmental - State sources	-	-	-	-	-	417,268
Intergovernmental - Federal sources	-	102,209	-	-	-	102,209
Contributions and donations	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	713
Miscellaneous	-	-	-	-	-	500
<i>Total revenues</i>	<u>200</u>	<u>102,209</u>	<u>68,119</u>	<u>145,647</u>	<u>-</u>	<u>1,263,876</u>
<i>Expenditures:</i>						
Current						
General government	-	-	-	-	-	-
Public safety	-	113,903	-	-	-	345,268
Public works	-	-	-	-	-	20,763
Culture and recreation	(800)	-	225,861	60,268	-	1,017,873
Highways and streets	-	-	-	-	-	509,555
Capital outlay	-	-	4,206	1,154	-	5,360
Debt service						
Principal	-	-	-	-	-	115,226
Interest and administrative fees	-	-	-	-	-	40,271
<i>Total expenditures</i>	<u>(800)</u>	<u>113,903</u>	<u>230,067</u>	<u>61,422</u>	<u>-</u>	<u>2,054,316</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,000</u>	<u>(11,694)</u>	<u>(161,948)</u>	<u>84,225</u>	<u>-</u>	<u>(790,440)</u>
<i>Other financing sources (uses):</i>						
Transfers in	-	5,083	158,000	-	-	820,101
Transfers out	-	-	-	-	-	(23,717)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>5,083</u>	<u>158,000</u>	<u>-</u>	<u>-</u>	<u>796,384</u>
<i>Net change in fund balances</i>	1,000	(6,611)	(3,948)	84,225	-	5,944
<i>Transfer (Note 14)</i>	-	-	-	-	-	34,001
<i>Fund balances (deficits) - beginning of year</i>	<u>669</u>	<u>38,665</u>	<u>-</u>	<u>334,011</u>	<u>-</u>	<u>680,604</u>
<i>Fund balances (deficits) - end of year</i>	<u>\$ 1,669</u>	<u>32,054</u>	<u>(3,948)</u>	<u>418,236</u>	<u>-</u>	<u>720,549</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Capital Projects					Debt Service
	Airport Construction 304	Street Improvement 309	Rodeo Arena 311	CDBG Cuba Rd 315	Total Capital Projects	Debt Service 403
ASSETS						
Cash and investments	\$ 22,375	6,281	46,409	4,384	79,449	249,224
Receivables:						
Taxes	-	-	-	-	-	19,554
Receivables from external parties	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<i>Total assets</i>	<u>\$ 22,375</u>	<u>6,281</u>	<u>46,409</u>	<u>4,384</u>	<u>79,449</u>	<u>268,778</u>
LIABILITIES AND FUND BALANCE						
<i>Liabilities:</i>						
Accounts payable	\$ -	-	-	-	-	-
Accrued payroll liabilities	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other external parties	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance:</i>						
Nonspendable - inventory	-	-	-	-	-	-
Restricted for:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	22,375	-	46,409	4,384	73,168	-
Debt service	-	-	-	-	-	268,778
Unassigned	-	6,281	-	-	6,281	-
<i>Total fund balance (deficit)</i>	<u>22,375</u>	<u>6,281</u>	<u>46,409</u>	<u>4,384</u>	<u>79,449</u>	<u>268,778</u>
<i>Total liabilities and fund balance</i>	<u>\$ 22,375</u>	<u>6,281</u>	<u>46,409</u>	<u>4,384</u>	<u>79,449</u>	<u>268,778</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Capital Projects				Debt	
	Airport Construction 304	Street Improvement 309	Rodeo Arena 311	CDBG Cuba Rd 315	Total Capital Projects	Debt Service 403
<i>Revenues:</i>						
Taxes	\$ -	-	-	-	-	117,327
Licenses, permits, fees and fines	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Intergovernmental - State sources	-	310,385	-	-	310,385	-
Intergovernmental - Federal sources	115,423	-	-	-	115,423	-
Contributions and donations	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	3,593
Miscellaneous	-	-	6,000	-	6,000	-
Total revenues	115,423	310,385	6,000	-	431,808	120,920
<i>Expenditures:</i>						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	13,862	13,862	-
Culture and recreation	-	-	161	-	161	1,542
Highways and streets	-	414,618	-	-	414,618	-
Capital outlay	284,235	-	16,699	-	300,934	-
Debt service						
Principal	-	-	-	-	-	101,082
Interest and administrative fees	-	-	-	-	-	16,099
Total expenditures	284,235	414,618	16,860	13,862	729,575	118,723
<i>Excess (deficiency) of revenues over expenditures</i>	(168,812)	(104,233)	(10,860)	(13,862)	(297,767)	2,197
<i>Other financing sources (uses):</i>						
Transfers in	-	165,000	19,373	10,000	194,373	-
Transfers out	(1)	-	(7,022)	-	(7,023)	-
Total other financing sources (uses)	(1)	165,000	12,351	10,000	187,350	-
Net change in fund balances	(168,813)	60,767	1,491	(3,862)	(110,417)	2,197
<i>Fund balances (deficits) - beginning of year</i>	191,188	(54,486)	44,918	8,246	189,866	266,581
<i>Fund balances (deficits) - end of year</i>	\$ 22,375	6,281	46,409	4,384	79,449	268,778

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Joint Enterprise Fund 500
Statement of Revenues, Expenditures and Changes in
Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original			Positive (Negative)
<i>Operating Revenue:</i>				
Charges for services	\$ 8,119,500	8,119,500	6,692,410	(1,427,090)
Miscellaneous	36,400	36,400	543,289	506,889
Total operating income	<u>8,155,900</u>	<u>8,155,900</u>	<u>7,235,699</u>	<u>(920,201)</u>
<i>Operating expenses:</i>				
Miscellaneous expenses	<u>7,738,744</u>	<u>8,575,342</u>	<u>6,250,657</u>	<u>2,324,685</u>
Total operating expenses	<u>7,738,744</u>	<u>8,575,342</u>	<u>6,250,657</u>	<u>2,324,685</u>
Net operating income	417,156	(419,442)	985,042	1,404,484
<i>Non-operating revenue (expenses)</i>				
Intergovernmental - federal sources	-	-	54,570	54,570
Gross Receipts tax - dedicated	40,000	40,000	85,905	45,905
Interest income	2,650	2,650	9,652	7,002
Interest expense	-	-	(89,313)	(89,313)
Net non-operating revenue	<u>42,650</u>	<u>42,650</u>	<u>60,814</u>	<u>18,164</u>
<i>Other financing sources (uses):</i>				
Transfers in	140,000	140,000	792,321	652,321
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(668,204)</u>	<u>(543,204)</u>
Total other financing sources (uses)	<u>\$ 15,000</u>	<u>15,000</u>	<u>124,117</u>	<u>109,117</u>
Change in net position per above			1,169,973	
Depreciation			(1,276,402)	
Change in net position per statement of revenues, expenses and net changes in fund balance			\$ <u>(106,429)</u>	

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Schedule of Deposits and Investments
June 30, 2018

Account Type	First State Bank	Washington Federal Bank	Wells Fargo Banks	NMFA	Total
Deposits					
Operating Account	\$ 502,017	-	-	-	502,017
Payroll Account	53,748	-	-	-	53,748
Investment Account	559,607	-	-	-	559,607
First State Bank - E-Payments Acct	6,036	-	-	-	6,036
CDBG Drainage Imp Account	4,384	-	-	-	4,384
Steller Checking	-	58,542	-	-	58,542
Money Market Account	-	-	966,042	-	966,042
Cash held at NMFA	-	-	-	501,755	501,755
Total bank balance	\$ 1,125,792	58,542	966,042	501,755	2,652,131
Reconciling items					
Outstanding items	(316,636)	-	-	-	(316,636)
Deposits in transit	31,709	-	-	-	31,709
Total Adjustments	<u>(284,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,927)</u>
Total book balance	\$ <u>840,865</u>	<u>58,542</u>	<u>966,042</u>	<u>501,755</u>	<u>2,367,204</u>
Add: Petty cash funds					1,000
Deposits and investments					<u>2,368,204</u>
Financial Statements:					
Cash and cash equivalents					
Governmental funds				\$	1,582,367
Business-type funds					785,837
Total per financial statements				\$	<u>2,368,204</u>

See notes to the financial statements.

CITY OF SOCORRO, NEW MEXICO
Schedule of Deposits and Investments
June 30, 2018

	First State	Washington	
	Bank	Federal	Totals
Deposits in Bank or Savings and Loan			
Operating Account	\$ 502,017	-	502,017
Payroll Account	53,748	-	53,748
Investment Account	559,607	-	559,607
E-Payment Account	6,036	-	6,036
CDBG Drainage Improvement	4,384	-	4,384
Steller Business Int Checking	-	58,542	58,542
Total Deposits	<u>1,125,792</u>	<u>58,542</u>	<u>1,184,334</u>
 (Less) FDIC Insurance	 <u>(250,000)</u>	 <u>(58,542)</u>	 <u>(308,542)</u>
 Total Uninsured Public Funds	 <u><u>875,792</u></u>	 <u><u>-</u></u>	 <u><u>875,792</u></u>
 Collateral Requirement @ 50%	 437,896	 -	 437,896
Collateral Requirement @ 102%	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total Required Collateralization	 437,896	 -	 437,896
 Pledges and Securities			
Held at Federal Home Loan Bank AFS			
FCSB 24 BF Maturity 07-22-24 CUSIP 3133EEB33	884,007		884,007
FCSB 25 G Maturity 04-16-25 CUSIP 31331VKU9	<u>511,939</u>		<u>511,939</u>
Total Pledged and Securities	1,395,946	-	1,395,946
 Excess (Deficiency)	 <u><u>\$ 958,050</u></u>	 <u><u>-</u></u>	 <u><u>958,050</u></u>

See notes to the financial statements.

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

To the City Council
City of Socorro, New Mexico
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the City of Socorro, New Mexico (the “City”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses, as described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-002.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
December 14, 2018

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2018

AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2016-002 Lack of Internal Controls over Cash Disbursements (Other Non-Compliance)

Condition: During our internal control test work over cash disbursements, we noted 1 out of 40 disbursements tested, for a total disbursement amount of \$416, in which the purchase voucher did not indicate proper review and approval.

The City is making progress in resolving this finding during the current year. Management continues to train and enforce internal controls surrounding cash disbursements. The City plans to continue efforts in order to resolve the finding in subsequent years. Additionally, the City was successful in resolving compliance surrounding purchase requisition and purchase order approvals, in which findings were noted over in prior years.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring. Without evidence of review, the City is unable to monitor the operation of the control.

Effect: The City was in violation of its own policies over cash disbursements. Weaknesses in internal control could result in inappropriate cash disbursements.

Cause: Operating procedures are not being consistently applied to ensure that all cash disbursements are properly approved prior to payment.

Recommendation: We recommend that the City ensure compliance with its operating policies and procedures for cash disbursements and to ensure proper approvals prior to payment.

Management's Response: The grant associated with this disbursement underwent a director change in the fall of 2017. The disbursement was in October 2017. Management will ensure grant managers are aware of City policies and procedures to ensure compliance. All staff involved in procurement and disbursement are aware of the required signatures and are ensuring compliance.

Responsible Party for Corrective Action: Treasurer, Finance Officer, Procurement Officer, Accounts Payable Clerk.

Timeline for Corrective Action: Immediately.

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2018

AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONTINUED)

2018-001 Financial Close and Reporting (Material Weakness)

Condition: During our testwork over the City's account balances we noted the following deficiencies in the City's financial close process:

- Prior year audit adjustments were not properly posted by the City.
- Debt and Fixed Asset schedules are not being maintained or reconciled by the City.
- The City is not tracking or posting accruals.
- The City has been unable to accurately reconcile cash accounts.

Criteria: In accordance with NMAC 2.2.2.12 D (2) the financial statements are the responsibility of the agency. The agency shall maintain adequate accounting records, prepare financial statements in accordance with accounting principles generally accepted in the United States of America, and provide complete, accurate, and timely information to the IPA as requested.

Effect: Lack of proper financial close procedures can lead to unreliable account balances. And material misstatements of the financial statements.

Cause: The City is not properly tracking or recognizing long-term debt, fixed assets, or the accrual of year-end accounts payables and receivables. This leads to excessive audit adjustments in order to get the City from the cash basis to the modified accrual basis of accounting.

Recommendation: We recommend that the City design and implement policies and procedures in order to properly close the books and maintain records on the modified accrual basis of accounting. This is to include the tracking and posting of year-end payables and receivables, tracking and reconciling of all debt and fixed asset schedules and roll-forwards, posting of liabilities for enterprise funds, procedures for timely and accurate reconciliation of cash, and reconciliation of the final trial balance to the audited trial balance to ensure that all adjustments are properly posted.

Management's Response: Upon completion of the audit, the Finance Director will meet with the auditors to ensure accurate and timely year-end adjustments are entered. Throughout the year the Finance Director will continue to attend fixed asset training and pass this knowledge on to City Staff to properly reconcile on a timely basis. Finance Director will monitor all cash accounts and ensure proper reconciliation.

Responsible Party for Corrective Action: Finance Director, Administrator/Treasurer, and Finance Departmental Staff.

Timeline for Corrective Action: Immediately and ongoing throughout the year as required.

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2018

AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONTINUED)

2018-002 Restatement of Net Position (Material Weakness)

Condition: During our testing over the City's long-term debt, we noted that the journal entry to accrue the liability for the NMFA Gas Valve loan acquired in fiscal year 2017, was improperly recognized as an adjustment to cash account rather than a revenue account. Therefore, revenue and cash were overstated by the total loan amount of \$810,929. Additionally, the NMED – Clean Water State Revolving Fund liability was provided to us as a current year acquisition of debt. Although payments are not due until fiscal year 2019, the liability should have been accrued by the City as expenses were reimbursed by NMED. The original agreement and expenditures began in fiscal year 2015. Therefore, it is necessary to restate the City's beginning net position for the total of expenditures incurred in prior year of \$363,446. These adjustments lead to a total reduction of beginning net position of the joint utility fund of \$1,174,375.

Criteria: In accordance with generally accepted accounting principles, all revenue and expense accounts should be properly recorded and recognized in the proper period.

Effect: The City reported an understatement of liabilities, overstatement of cash, and an overstatement of net position in the fiscal year 2017 financial statements.

Cause: Liabilities were improperly recorded in the fiscal year 2017 financial statements.

Recommendation: We recommend the City implement policies and procedures to better track and record liabilities.

Management's Response: Because the loan was not closed until the 2018 fiscal year it was not recorded as a liability until 2018. As the City has learned of the improper process, these financial instruments will now be recorded as liabilities on an ongoing basis (as funds are spent).

Responsible Party for Corrective Action: Finance Director, Administrator/Treasurer, and Finance Departmental Staff.

Timeline for Corrective Action: Immediately an ongoing throughout the year.

CITY OF SOCORRO, NEW MEXICO
Schedule of Findings and Responses
Year Ended June 30, 2018

STATUS OF PRIOR YEAR FINDINGS

2016-001	Payroll Disbursements (Compliance)	Resolved
2016-002	Cash Disbursements (Compliance)	Revised and Repeated
2017-001	Lack of Internal Controls over Utility Accounts (Compliance)	Resolved

CITY OF SOCORRO, NEW MEXICO
Exit Conference
Year Ended June 30, 2018

An exit conference was held with the City on December 12, 2018. In attendance were:

CITY OF SOCORRO, NEW MEXICO

Ruby Lopez – Director of Finance

Donald Monette – Treasurer

Stephanie Saavedra – City Clerk

AXIOM CPAS AND BUSINESS ADVISORS LLC

Tyler Marshall – Supervisor

Reina Gutierrez – Senior

Auditor Prepared Financial Statements

Axiom Certified Public Accountants and Business Advisors LLC prepared the GAAP-basis financial statements and footnotes for the City of Socorro from the original books and records provided to them by the management of the City. The responsibility of the financial statements remains with the City.