



STATE OF NEW MEXICO

City of Socorro

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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City of Socorro
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City of Socorro
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**STATE OF NEW MEXICO
City of Socorro
Official Roster
June 30, 2019**

CITY COUNCIL

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

ADMINISTRATIVE OFFICIALS

Donald Monette City Administrator
Ruby Lopez..... Finance Director
Stephanie Saavedra City Clerk
Leopoldo Pineda, JR..... Chief Procurement Officer

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FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

To Honorable Brian S. Colon
New Mexico State Auditor
and
The City Council
City of Socorro
Socorro, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of the City of Socorro, New Mexico (the City) as of and for the year ended June 30, 2019, 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 with standards applicable to financial audits contained in Governmental 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, and accordingly, no such opinion is expressed.

An audit also includes evaluating the appropriateness of the 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 opinion.

Opinion

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that Schedule I through IV and the Notes to the Required Supplementary Information on pages 72-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 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 purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards (Schedule VII), as required by Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the combining and individual non-major fund financial statements (Statement A-1 and A-2) and the Supporting Schedules V through VI required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards (Schedule VII), the combining and individual non-major fund financial statements (Statement A-1 and A-2) and the Supporting Schedules V through VI are the responsibility of management and was derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the combining and individual non-major fund financial statements (Statement A-1 and A-2) and Supporting Schedules V and VII 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 October 3, 2019 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 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.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
October 3, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Socorro
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,169,252	\$ 1,123,539	\$ 3,292,791
Restricted cash	551,564	520,166	1,071,730
Taxes receivable	794,697	-	794,697
Other receivables, net	522,247	-	522,247
Customer receivables, net	-	1,348,940	1,348,940
Inventory	-	84,532	84,532
Total current assets	4,037,760	3,077,177	7,114,937
Noncurrent assets			
Land contract receivable	444,236	-	444,236
Customer deposits	-	82,631	82,631
Capital assets	36,370,410	39,490,449	75,860,859
Less: Accumulated Depreciation	(21,396,363)	(23,928,444)	(45,324,807)
Total noncurrent assets	15,418,283	15,644,636	31,062,919
Deferred outflows of resources			
Deferred outflows from pension	1,887,395	698,078	2,585,473
Deferred outflows from OPEB	66,348	24,539	90,887
Total deferred outflows	1,953,743	722,617	2,676,360
Total assets, and deferred outflows of resources	\$ 21,409,786	\$ 19,444,430	\$ 40,854,216

See Independent Auditors' Report and Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 44,829	\$ 96,767	\$ 141,596
Accrued salaries and benefits	46,302	-	46,302
Accrued interest	8,560	30,958	39,518
Loans and bonds payable	245,444	434,274	679,718
Compensated absences	144,563	88,542	233,105
Total current liabilities	489,698	650,541	1,140,239
Noncurrent liabilities			
Customer deposits	-	82,631	82,631
Loans and bonds payable	1,970,034	4,952,225	6,922,259
Compensated absences	64,334	52,618	116,952
Landfill closure liability	-	165,978	165,978
Net pension liability	8,117,233	3,002,264	11,119,497
Net OPEB liability	3,497,442	1,293,575	4,791,017
Total noncurrent liabilities	13,649,043	9,549,291	23,198,334
Total Liabilities	14,138,741	10,199,832	24,338,573
Deferred inflows of resources			
Deferred inflows from pension	507,650	261,516	769,166
Deferred inflows from OPEB	956,957	353,943	1,310,900
Total Deferred inflows	1,464,607	615,459	2,080,066
Net Position			
Net investment in capital assets	12,758,569	10,175,506	22,934,075
Restricted for:			
Debt Service	259,297	371,120	630,417
Capital projects	68,988	149,046	218,034
Special Revenue	1,537,487	-	1,537,487
Unrestricted	(8,817,903)	(2,066,533)	(10,884,436)
Total net position	5,806,438	8,629,139	14,435,577
Total liabilities, deferred inflows of resources, and net position	\$ 21,409,786	\$ 19,444,430	\$ 40,854,216

STATE OF NEW MEXICO
City of Socorro
Statement of Activities
For the Year Ended June 30, 2019

Functions and Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,049,636	\$ 1,470,517	\$ 712,012	\$ -
Public Safety	4,043,316	-	159,698	201,574
Public Works	1,159,958	-	-	1,401,554
Culture and Recreation	2,107,928	287,245	4,239	-
Health and welfare	282,152	-	-	-
Interest on Long-Term Debt	59,816	-	-	-
Total Governmental Activities	9,702,806	1,757,762	875,949	1,603,128
Business-Type Activities				
Joint Utility	7,785,920	7,644,049	-	-
Total Business-Type Activities	7,785,920	7,644,049	-	-
Total primary government	\$ 17,488,726	\$ 9,401,811	\$ 875,949	\$ 1,603,128

General Revenues:

Taxes:

Property Taxes levied for general purposes

Gross receipt taxes

Gas taxes

Franchise taxes

Lodgers taxes

Licenses, permits, fees, and fines

Interest income

Miscellaneous Income

Transfers

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Net Position - restatement (Note 9)

Net Position - as restated

Net Position - ending

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Government Activities	Business- Type Activities	Total
\$ 132,893	\$ -	\$ 132,893
(3,682,044)	-	(3,682,044)
241,596	-	241,596
(1,816,444)	-	(1,816,444)
(282,152)	-	(282,152)
(59,816)	-	(59,816)
(5,465,967)	-	(5,465,967)
-	(141,871)	(141,871)
-	(141,871)	(141,871)
(5,465,967)	(141,871)	(5,607,838)
627,600	-	627,600
3,898,114	90,655	3,988,769
163,087	-	163,087
174,870	-	174,870
433,282	-	433,282
151,536	-	151,536
35,352	14,578	49,930
253,143	(2,784)	250,359
130,562	(130,562)	-
5,867,546	(28,113)	5,839,433
401,579	(169,984)	231,595
4,708,968	9,400,455	14,109,423
695,891	(601,332)	94,559
5,404,859	8,799,123	14,203,982
\$ 5,806,438	\$ 8,629,139	\$ 14,435,577

**State of New Mexico
City of Socorro
Balance Sheet
Governmental Funds
June 30, 2019**

		Special Revenue Funds		Capital Projects
	General Fund	Municipal Streets	Convention Center	Street Improvements
	# 107	# 216	# 250	# 309
Assets				
Cash and cash equivalents	\$ 977,182	\$ -	\$ 496,375	\$ 491,192
Restricted cash	-	-	-	269,210
Other Receivables	425,672	26,980	11,382	-
Property taxes receivable	103,384	-	-	-
Gross receipt taxes receivable	646,931	-	-	-
Lodgers taxes receivables	-	-	-	-
Land contract receivable	444,236	-	-	-
Total assets	\$ 2,597,405	\$ 26,980	\$ 507,757	\$ 760,402
Liabilities, deferred inflows of resources and fund balance				
Liabilities				
Accounts payable	\$ 25,072	\$ 17,961	\$ -	\$ -
Accrued salaries and benefits	46,302	-	-	-
Total liabilities	71,374	17,961	-	-
Deferred inflows of resources				
Deferred inflows - real estate contract	444,236	-	-	-
Deferred inflows - property taxes	84,377	-	-	-
Total deferred inflows	528,613	-	-	-
Total liabilities and deferred inflows of resources	599,987	17,961	-	-
Fund balance				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Public works	-	9,019	-	760,402
Culture and recreation	-	-	507,757	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Minimum fund balance	498,781	-	-	-
Unassigned	1,498,637	-	-	-
Total fund balances	1,997,418	9,019	507,757	760,402
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,597,405	\$ 26,980	\$ 507,757	\$ 760,402

See Independent Auditors' Report and Notes to Financial Statements

Non-Major Governmental Funds	Total Governmental Funds
\$ 204,503	\$ 2,169,252
282,354	551,564
58,213	522,247
-	103,384
-	646,931
44,382	44,382
-	444,236
<u>\$ 589,452</u>	<u>\$ 4,481,996</u>
\$ 1,796	\$ 44,829
-	46,302
<u>1,796</u>	<u>91,131</u>
-	444,236
-	84,377
<u>-</u>	<u>528,613</u>
<u>1,796</u>	<u>619,744</u>
24,145	24,145
-	769,421
236,164	743,921
259,297	259,297
68,988	68,988
-	498,781
(938)	1,497,699
<u>587,656</u>	<u>3,862,252</u>
<u>\$ 589,452</u>	<u>\$ 4,481,996</u>

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STATE OF NEW MEXICO

City of Socorro

Governmental Funds

Exhibit B-1

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Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Total Fund Balance - Governmental Funds \$ 3,862,252

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:

Capital assets	36,370,410
Less: Accumulated depreciation	(21,396,363)

Delinquent property taxes and the real estate contract receivable not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows in the fund financial statements, but have already been recognized as revenues in the Statement of Activities.

Delinquent property taxes	84,377
Real estate contract receivable	444,236

Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:

Accrued interest	(8,560)
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Deferred outflows and inflows relating to pension and OPEB liabilities are not payable / collected in the current period and therefore are not reported in the fund financial statements. Deferred outflows and inflows consist of the following:

Deferred outflows from pension	1,887,395
Deferred inflows from pension	(507,650)
Deferred outflows from OPEB	66,348
Deferred inflows from OPEB	(956,957)

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Accrued compensated absences	(208,897)
Loans payable	(2,215,478)
Net pension liability	(8,117,233)
Net OPEB liability	(3,497,442)

Total Net Position of Governmental Activities \$ 5,806,438

STATE OF NEW MEXICO
City of Socorro
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

		Special Revenue Funds		Capital Projects
	General Fund # 101	Municipal Streets # 216	Convention Center # 250	Street Improvements # 309
Revenues				
Property taxes	\$ 630,469	\$ -	\$ -	\$ -
Gross receipt taxes	3,713,941	-	-	-
Gas taxes	-	163,087	-	-
Franchise taxes	174,870	-	-	-
Lodger's taxes	-	-	-	-
State operating grants	536,273	-	-	-
State capital grants	-	-	-	74,646
Federal operating grants	175,739	-	-	-
Federal capital grants	-	-	-	476,215
Charges for services	1,470,517	-	141,684	-
Licenses and fees	133,339	-	-	-
Interest income	28,466	-	-	-
Miscellaneous income	235,642	73	-	-
Total revenue	7,099,256	163,160	141,684	550,861
Expenditures				
Current:				
General government	1,631,308	-	-	-
Public safety	2,796,271	-	-	-
Public works	474,852	437,695	-	148
Culture and recreation	766,272	-	52,163	-
Health and welfare	224,565	-	-	-
Capital outlay	92,100	17,121	-	95,801
Debt service:				
Debt Issuance cost	-	-	-	2,544
Principal	-	30,168	-	43,167
Interest	-	1,663	-	-
Total expenditures	5,985,368	486,647	52,163	141,660
Excess (deficiency) of revenues over expenditures	1,113,888	(323,487)	89,521	409,201
Other financing sources (uses)				
Transfers in	20,000	322,451	-	30,000
Transfers out	(678,997)	-	-	-
Loan proceeds	-	-	-	314,920
Total other financing sources (uses)	(658,997)	322,451	-	344,920
Net change in fund balance	454,891	(1,036)	89,521	754,121
Fund balance - beginning of year	1,542,527	10,055	418,236	6,281
Fund balance - end of year	\$ 1,997,418	\$ 9,019	\$ 507,757	\$ 760,402

See Independent Auditors' Report and Notes to Financial Statements

Other Governmental Funds	Total
\$ -	\$ 630,469
184,173	3,898,114
-	163,087
-	174,870
433,282	433,282
53,239	589,512
981,892	1,056,538
110,698	286,437
70,375	546,590
145,561	1,757,762
18,197	151,536
6,886	35,352
32,424	268,139
<u>2,036,727</u>	<u>9,991,688</u>
-	1,631,308
421,808	3,218,079
7,973	920,668
859,267	1,677,702
-	224,565
983,748	1,188,770
-	2,544
213,660	286,995
58,153	59,816
<u>2,544,609</u>	<u>9,210,447</u>
<u>(507,882)</u>	<u>781,241</u>
457,108	829,559
(20,000)	(698,997)
24,226	339,146
<u>461,334</u>	<u>469,708</u>
(46,548)	1,250,949
634,204	2,611,303
<u>\$ 587,656</u>	<u>\$ 3,862,252</u>

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STATE OF NEW MEXICO City of Socorro Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2019	Exhibit B-2 Page 2 of 2
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Net Change in Fund Balance - Governmental Funds	\$ 1,250,949
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Expenditures recorded in capital outlay	1,188,770
Depreciation expense	(1,687,464)

Governmental funds report City pension and OPEB contributions as expenditures. However in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension and OPEB expense:

Change in net pension liability	(190,463)
Change in OPEB liability	(59,956)

In governmental funds delinquent property taxes and real estate contract receivable collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows in the fund financial statements, but are considered revenues in the Statement of Activities

Decrease in delinquent property taxes	(2,869)
Decrease in real estate contract receivable	(14,996)

Expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Increase in accrued compensated absences	(30,241)
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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.

Principal payments on bonds and loans payable	286,995
Net proceeds from debt issuance	<u>(339,146)</u>

Change in Net Position of Governmental Activities	<u>\$ 401,579</u>
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STATE OF NEW MEXICO

Exhibit C-1

City of Socorro

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ 623,958	\$ 623,958	\$ 626,943	\$ 2,985
Gross receipts taxes	3,759,360	3,759,360	3,777,346	17,986
Franchise tax	174,037	174,037	174,870	833
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	179,017	179,017	179,873	856
Federal capital grants	-	-	-	-
State operating grants	533,720	533,720	536,273	2,553
State capital grants	-	-	-	-
Charges for services	1,403,536	1,403,536	1,410,251	6,715
Licenses and fees	132,704	132,704	133,339	635
Interest income (loss)	9,231	9,231	9,275	44
Miscellaneous	231,591	231,591	232,699	1,108
Total revenue	<u>7,047,154</u>	<u>7,047,154</u>	<u>7,080,869</u>	<u>33,715</u>
Expenditures				
Current				
General government	1,728,648	1,728,648	1,626,654	101,994
Public safety	3,029,312	3,029,312	2,850,575	178,737
Public works	504,626	504,626	474,852	29,774
Culture and recreation	814,319	814,319	766,272	48,047
Health and welfare	238,646	238,646	224,565	14,081
Capital outlay	97,875	97,875	92,100	5,775
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>6,413,426</u>	<u>6,413,426</u>	<u>6,035,018</u>	<u>378,408</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 633,728</u>	<u>\$ 633,728</u>	<u>\$ 1,045,851</u>	<u>\$ 412,123</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(633,728)	(633,728)		
Transfers in	20,000	20,000	20,000	-
Transfers out	(678,997)	(678,997)	(678,997)	-
Total other financing sources (uses)	<u>(658,997)</u>	<u>(658,997)</u>	<u>(658,997)</u>	<u>-</u>
Net Change in fund balance	(25,269)	(25,269)	386,854	
Fund balance - beginning of year			<u>\$ 1,542,527</u>	
Fund balance - end of year			<u>1,929,381</u>	
Net change in fund balance (non-GAAP budgetary basis)			386,854	
Adjustments to revenue for increases in receivables			18,387	
Adjustment to expenditures for decreases in liabilities			49,650	
Net Change in fund balance (GAAP basis)			<u>\$ 454,891</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit C-2

City of Socorro

Municipal Street

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes	161,927	161,927	161,927	-
Franchise tax	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	73	73	73	-
Total revenue	<u>162,000</u>	<u>162,000</u>	<u>162,000</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	423,731	423,731	423,731	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	28,975	28,975	28,975	-
Debt Service:				
Principal	31,831	31,831	31,831	-
Interest	-	-	-	-
Total expenditures	<u>484,537</u>	<u>484,537</u>	<u>484,537</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (322,537)</u>	<u>\$ (322,537)</u>	<u>\$ (322,537)</u>	<u>\$ -</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	322,537	322,537		
Transfers in	322,451	322,451	322,451	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>322,451</u>	<u>322,451</u>	<u>322,451</u>	<u>-</u>
Net Change in fund balance	(86)	(86)	(86)	
Fund balance - beginning of year			\$ 10,055	
Fund balance - end of year			<u>9,969</u>	
Net change in fund balance (non-GAAP budgetary basis)			(86)	
Adjustments to revenue for increases in receivables			1,160	
Adjustment to expenditures for increase in liabilities			(2,110)	
Net Change in fund balance (GAAP basis)			<u>\$ (1,036)</u>	

See Independent Auditors' Report and Notes to Financial Statements

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STATE OF NEW MEXICO

Exhibit C-3

City of Socorro

Convention Center

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
				<u>Final to actual</u>
Revenues				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts taxes	-	-	-	-
Franchise tax	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	228,929	228,929	143,696	(85,233)
Licenses and fees	-	-	-	-
Interest income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>228,929</u>	<u>228,929</u>	<u>143,696</u>	<u>(85,233)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	252,644	252,644	52,163	200,481
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>252,644</u>	<u>252,644</u>	<u>52,163</u>	<u>200,481</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (23,715)</u>	<u>\$ (23,715)</u>	<u>\$ 91,533</u>	<u>\$ 115,248</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	23,715	23,715		
Transfers in	-	-		-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	(23,715)	(23,715)	91,533	
Fund balance - beginning of year			\$ -	
Fund balance - end of year			<u>91,533</u>	
Net change in fund balance (non-GAAP budgetary basis)			91,533	
Adjustments to revenue for decrease in receivables			(2,012)	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ 89,521</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Socorro
Statement of Net Position
Proprietary Funds
June 30, 2019

Exhibit D-1

	Joint Utility
	# 501
Assets	
Cash and cash equivalents	\$ 1,123,539
Restricted cash and cash equivalents	520,166
Accounts receivable, net	1,348,940
Inventory	84,532
Total current assets	<u>3,077,177</u>
Noncurrent assets	
Customer deposits	82,631
Capital Assets	39,490,449
Less: Accumulated depreciation	(23,928,444)
Total noncurrent assets	<u>15,644,636</u>
Deferred outflows of resources	
Deferred outflows from pension	698,078
Deferred outflows from OPEB	24,539
Total deferred outflows of resources	<u>722,617</u>
Total assets, and deferred outflows of resources	<u>\$ 19,444,430</u>
Liabilities, deferred inflows and net position	
Liabilities	
Accounts payable	\$ 96,767
Accrued interest	30,958
Notes and bonds payable	434,274
Total current liabilities	<u>561,999</u>
Noncurrent liabilities	
Customer deposits	82,631
Notes and bonds payable	4,952,225
Compensated absences	141,160
Landfill closure liability	165,978
Net pension liability	3,002,264
Net OPEB liability	1,293,575
Total noncurrent liabilities	<u>9,637,833</u>
Total Liabilities	<u>10,199,832</u>
Deferred inflows of resources	
Deferred inflows from pension	261,516
Deferred inflows from OPEB	353,943
Total deferred inflows of resources	<u>615,459</u>
Net position	
Net investment in capital asset	10,175,506
Restricted for:	
Debt service	371,120
Capital projects	149,046
Unrestricted	(2,066,533)
Total net position	<u>8,629,139</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 19,444,430</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit D-2

City of Socorro

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Joint Utility
	# 501
Operating revenues:	
Charges for services	\$ 7,644,049
Total operating revenues	7,644,049
Operating expenses:	
Depreciation and amortization	1,273,009
COGS (Gas)	1,116,997
Personnel services	2,412,855
Contractual services	205,833
Supplies	147,742
Maintenance and Materials	707,283
Utilities	843,737
Insurance	391,072
Payment in lieu of taxes	346,188
Landfill Closure Expense	51,514
Miscellaneous	198,480
Total operating expense	7,694,710
Operating income (loss)	(50,661)
Non-operating revenues (expense):	
Gross receipts taxes	90,655
Interest income	14,578
Interest expense	(87,631)
Miscellaneous income (expense)	(2,784)
Bond issuance expense	(3,579)
Total non-operating revenues (expense)	11,239
Income (loss) before contributions and transfers	(39,422)
Transfers in	-
Transfers out	(130,562)
State and federal capital grants	-
State and federal operating grants	
Total contributions and transfers	(130,562)
Change in Net Position	(169,984)
Net Position, beginning of year	9,400,455
Restatement (Note 9)	(601,332)
Net Position - beginning of the year, restated	8,799,123
Net Position - end of the year	\$ 8,629,139

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Socorro
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit D-3

	Joint Utility
	# 501
Cash flow from operating activities	
Cash received from customers	\$ 7,584,157
Cash payments to employees for services	(2,185,901)
Cash payments to suppliers for goods and services	(3,939,298)
Net cash provided from operating activities	<u>1,458,958</u>
Cash flow from noncapital financing activities	
Miscellaneous	(11,386)
Gross Receipts tax	107,946
Transfers	(130,562)
Net cash flows provided (used) by noncapital financing activities	<u>(34,002)</u>
Cash Flows from capital and related financing activities	
Interest paid	(87,631)
Principal payments	(400,597)
Debt proceeds	567,442
Acquisition of capital assets	(578,249)
Net cash provided (used) by capital and related financing activities	<u>(499,035)</u>
Cash flows from investing activities	
Interest income	14,578
Net cash provided by investing activities	<u>14,578</u>
Net increase (decrease) in cash and cash equivalents	940,499
Cash & cash equivalents - beginning of year	785,837
Cash & cash equivalents - end of year	<u><u>\$ 1,726,336</u></u>
Reconciliation of operating income (loss to net cash provided (used) by operating activities	
Operating income (loss)	\$ (50,661)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	1,273,009
Employer pension and OPEB expense	215,075
Changes in assets & liabilities:	
Receivables	(69,906)
Inventory	6,143
Accounts payable	11,891
Compensated absences	11,879
Customer deposits	10,014
Net change in landfill liability	51,514
Net cash provided (used) by operating activities	<u><u>\$ 1,458,958</u></u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies

The City of Socorro (City) was incorporated in 1918. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety services (police and fire), culture and recreation, public improvements, housing, planning and zoning, highways and streets, public utilities (wastewater, water and solid waste), health and social services, and general administrative services.

The City is a body politic and incorporated under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have a common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

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

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not have any component units required to be reported under GASB Statements No. 14, No. 39, and No. 61.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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

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

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Major governmental funds include:

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

The *Municipal Street Fund* accounts for gas taxes collected and operating and maintenance of City Streets Pursuant to the County and Municipal Gasoline Tax act, NMSA 7-21-1.

Convention Center Fund accounts for the design, construction, equipping, furnishing, landscaping, operations 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. New Mexico Legislature enacted the Convention Center Financing Act during 2003 Legislative Secession and requires the tax to be used in this manner.

Street Improvements Capital Projects Fund, accounts for improvements to streets. Resources for the various projects are provided by the New Mexico State Highway and Transportation Department, state appropriations, federal appropriations, City matching contributions and transfers from the General Fund and Joint Utility Fund.

The City reports the following proprietary funds as major funds:

The *Joint Utility fund* accounts for the activities of the City's natural gas, water, waste water, solid waste, landfill, and recycling operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for utility services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

State statutes authorize the City to invest in certificates of deposit, interest-bearing savings accounts, bonds or other obligations of the U.S. Government, which is guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of inter-fund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered 100% collectible. The allowance for doubtful accounts for customer receivables is calculated based on the aging of the customer accounts receivable and the City's historical experience with these receivables.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements. As of June 30, 2019 the City had no prepaid expenses.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Capital Assets: Capital assets, which include property, plant, utility systems, 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 government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

Asset	Years
Buildings	5-40
Equipment	5-20
Plant and Infrastructure	5-40

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2019, along with applicable PERA and Retiree Health Care.

Unearned Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Inflows of Resources Governmental Funds: Deferred inflows are reported in the Balance sheet for governmental funds regarding property tax revenue and the real estate contract receivable. These amounts are deferred and recognized as a revenue in that period that the amounts become available.

Deferred Outflows/Inflows of Resources Government Wide Statement of Net Position: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a recognized consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred outflows for pension liabilities, and retirement healthcare (OPEB liabilities).

Compensated Absences: Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited and vacation pay is limited to payment for 200 hours. Vacation pay up to the maximum of 200 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable annually to qualified employees for hours accumulated between 600 hours and 1100 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours for each a period. Upon retirement, payment for sick leave is limited to 500 hours accumulated in excess of 600 hours, at 50% of the individual's hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the government-wide financial statements.

Employees earn vacation leave at various rates depending on the employee's length of service based on the following total years of services:

Total Years of Service	Yearly Accumulation
0-5	96 Hours
6 - 19	144 Hours
20 or More	160 Hours

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of inter-fund loans. At June 30, 2019 the City reported \$0 in non-spendable fund balances.

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

Committed – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

At June 30, 2019, the City has presented restricted and committed fund balance on the governmental funds balance sheet in the amount of \$2,364,553 for various City operations as restricted and committed by the minimum fund balance in the General Fund and enabling legislation in the special revenue funds, debt service, and for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 18 and 19.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds, and permanent funds.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in 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.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The City has presented committed fund balance on the governmental funds balance sheet in the amount of \$498,781 to meet minimum fund balance requirements for the General Fund.

The City applies restricted resources first when outlays 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.

Inter-fund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from 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.

All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Tax Revenues: The City receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and May 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The City recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The City records only the portion of the taxes considered 'measureable' and 'available' in the governmental fund financial statements.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the enterprise funds, the current portion of accrued compensated absences, the net pension liability the net OPEB liability and related amounts, and the useful lives of capital assets.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total as the legal level of budgetary control is at the fund level.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The City Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019 is presented as part of the budgetary statements.

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. The City is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2019.

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 by collateral deposited as security or by bond given by the financial institution.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 3. Deposits and Investments (continued)

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 at an insured depository institution, including time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk Deposits - is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978) that require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued to the City for at least one half the amount in excess of FDIC coverage on deposit with the institution.

Custodial Credit Risk Investments - Custodial Credit Risk is the risk that, in the event of failure of the counterparty, 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's investments are not exposed to custodial credit risk. All are fully collateralized, and the collateral is held in the City's name.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer, of more than 5%. The City's investments are not diversified to avoid concentration of credit risk due to 100% of the total investment portfolio is in one single security type and financial institution.

Credit Risk - The City's investments shall be in accordance with State Law 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10 NMSA 1978, 6-10-10 NMSA 1978.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 3. Deposits and Investments (continued)

At June 30, 2019, \$2,610,571 of the City's bank balance of \$2,932,769 was exposed to custodial credit risk. \$1,396,828 of the City's cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name, and \$1,213,743 was uninsured and uncollateralized at June 30, 2019.

	First State Bank	Washington Federal	Total
Deposits	\$ 2,860,571	\$ 72,198	\$ 2,932,769
Less: FDIC Coverage	(250,000)	(72,198)	(322,198)
Total uninsured public funds	<u>\$ 2,610,571</u>	<u>-</u>	<u>2,610,571</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	1,396,828	-	1,396,828
Uninsured and uncollateralized	<u>\$ 1,213,743</u>	<u>\$ -</u>	<u>\$ 1,213,743</u>
Collateral requirements (50% of uninsured funds)	\$ 1,305,286	\$ -	\$ 1,305,286
Pledged Collateral	1,396,828	-	1,396,828
Over (under) collateralized	<u>\$ 91,542</u>	<u>\$ -</u>	<u>\$ 91,542</u>

The Carrying Amount of deposits and investments shown above are included in the City's Statement of Net position as follows:

Cash and cash equivalents per Exhibit A-1	\$ 3,292,791
Restricted cash and cash equivalents per Exhibit A-1	1,071,730
Customer Deposits	<u>82,631</u>
Total cash and cash equivalents	<u>\$ 4,447,152</u>
Add: Outstanding checks	\$ 517,975
Less: Outstanding deposits	(13,473)
Less: Petty cash	(900)
Less: Investments	(983,502)
Less: Cash held at the NMFA	<u>(1,034,483)</u>
Bank balance of deposits	<u>\$ 2,932,769</u>

Investments

The City held investments in a Governmental Money Market mutual fund held at Wells Fargo Securities, totaling \$983,502 as of June 30, 2019. These investments were not rated and were all transferred into the State of New Mexico Local Growth Investment Pool (LGIP) on August 5, 2019. LGIP investments are collateralized by the State of New Mexico. The Risk rating for LGIP investments is AAAM, the Cost basis and market value of these investments transferred subsequent to year were both \$987,159.74.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 3. Deposits and Investments (continued)

New Mexico State Statutes authorize the creation of the short-term investment fund in the New Mexico State Treasury. The Statutes authorize the State Treasurer to pool monies received from local public bodies for investment purposes with public monies under control. The purpose of the local short-term fund is to provide a voluntary investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. The local short-term investment fund, along with other public monies in the State Treasurer's investment account, is invested in repurchase agreements secured at 102% by U.S. Government Securities. The State Treasurer has the responsibility to pledge collaterals at 102% of investment balances for the City. All investing is performed in accordance with State Statutes and the City's investment policy.

The investments are valued at fair value based on quoted market prices as of the valuation date. The Credit Risk LGIP – with respect to credit risk, the LGIP, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration of Risk – GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

Foreign Currency Risk – GASB Statement No. 40 defines interest rate risk that interest rate variation may adversely affect the fair value of an investment. The City is not exposed to the risk that exchange rates will adversely affect the fair value of an investment as none of the investment is dominated in a foreign currency.

NOTE 4. Accounts and Taxes Receivable

Receivables as of June 30, 2019 are as follows:

	Governmental Funds	Proprietary Funds	Total
Taxes Recieveable:			
Property taxes	\$ 103,384	\$ -	\$ 103,384
Gross receipts taxes	646,931	-	646,931
Franchise taxes	19,470	-	19,470
Gasoline taxes	26,980	-	26,980
Lodgers taxes	55,764	-	55,764
Other receivables:			
State and federal grants	85,910	-	85,910
Real estate contract receivable	444,236	-	444,236
Total	\$ 1,382,675	\$ -	\$ 1,382,675
Customer Receivables:			
Ambulance receivables	\$ 1,257,823	\$ -	\$ 1,257,823
Customer receivables	-	1,368,940	1,368,940
Less: allowance for customer receivables	(879,318)	(20,000)	(899,318)
Net Customer Accounts Receivables	\$ 378,505	\$ 1,348,940	\$ 1,727,445
Total receivables, net	\$ 1,761,180	\$ 1,348,940	\$ 3,110,120

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 4. Accounts and Taxes Receivable (continued)

With the exception of ambulance receivables noted above, governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenue receivables not collected within the period of availability was determined to be \$84,377 and is reclassified as deferred inflow of resources in the governmental fund financial statements.

The City carries three real estate contracts receivable as of June 30, 2019, totaling \$444,236. The City recognized interest income of \$19,191 and principal payments of \$14,996 for the year ended June 30, 2019, related to these contracts. Governmental fund financial statements reported a deferred inflow of resources of \$444,236, due to revenues in the governmental financial statements being recognized as soon as they are available to pay liabilities of the current period.

NOTE 5. Interfund Transfers

Operating transfers are made to close out funds and supplement other funding sources in the normal course of operations. Operating transfers for the year ended June 30, 2019 were as follows:

Transfer In	Transfer Out	Amount
Recreation	General Fund	\$ 236,302
Municipal Street	General Fund	322,451
CDBG	General Fund	5,000
CDBG	Joint Utility	44,808
Rodeo Fund	General Fund	115,244
General Fund	Lodgers	20,000
Street Improvement	Joint Utility	30,000
Rodeo Arena Capital Project	Joint Utility	55,754
		<u>\$ 829,559</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows (land and construction in progress is not subject to depreciation):

Governmental Activities

	Balance June 30, 2018	Restatement	Restated June 30, 2018	Additions	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 308,224	\$ -	\$ 308,224	\$ -	\$ 308,224
Construction in progress (CIP)	-	-	-	364,258	364,258
Total capital assets, not depreciated	<u>308,224</u>	<u>-</u>	<u>308,224</u>	<u>364,258</u>	<u>672,482</u>
Capital assets depreciated:					
Buildings	14,750,678	633,818	15,384,496	9,087	15,393,583
Equipment	7,543,700	36,718	7,580,418	181,619	7,762,037
Infrastructure	11,812,407	96,094	11,908,501	633,807	12,542,308
Total capital assets, depreciated	<u>34,106,785</u>	<u>766,630</u>	<u>34,873,415</u>	<u>824,513</u>	<u>35,697,928</u>
Total capital assets	<u>34,415,009</u>				<u>36,370,410</u>
Less accumulated depreciation:					
Buildings	7,025,409	568,878	7,594,287	734,969	8,329,256
Equipment	6,510,485	163,159	6,673,644	365,328	7,038,972
Infrastructure	5,624,319	(183,351)	5,440,968	587,167	6,028,135
Total accumulated depreciation	<u>19,160,213</u>	<u>548,686</u>	<u>19,708,899</u>	<u>1,687,464</u>	<u>21,396,363</u>
Capital Assets, Net	<u>\$ 15,254,796</u>				<u>\$ 14,974,047</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 6. Capital Assets (continued)

Depreciation expense was charged to the following Governmental Activities:

General Government	\$ 358,674
Public Safety	707,555
Public Works	202,986
Culture and Recreation	368,874
Health and welfare	49,375
	<u>\$ 1,687,464</u>

Business Type Activities

	Balance June 30, 2018	Restatement	Restated June 30, 2018	Additions	Balance June 30, 2019
Capital assets not depreciated:					
Land	\$ 331,556	\$ -	\$ 331,556	\$ -	\$ 331,556
Total capital assets not depreciated	<u>331,556</u>	<u>-</u>	<u>331,556</u>	<u>-</u>	<u>331,556</u>
Capital asset depreciated:					
Buildings	25,052,565	(489,762)	24,562,803	-	24,562,803
Equipment	5,734,825	20,229	5,755,054	385,842	6,140,896
Plant and Infrastructure	8,427,542	(164,755)	8,262,787	192,407	8,455,194
Total capital assets, depreciated	<u>39,214,932</u>	<u>(634,288)</u>	<u>38,580,644</u>	<u>578,249</u>	<u>39,158,893</u>
Total capital assets	<u>39,546,488</u>				<u>39,490,449</u>
Less accumulated depreciation:					
Buildings	14,040,181	(156,501)	13,883,680	656,401	14,540,081
Equipment	4,902,673	(4,840)	4,897,833	230,848	5,128,681
Plant and Infrastructure	3,708,510	165,412	3,873,922	385,760	4,259,682
Total accumulated depreciation	<u>22,651,364</u>	<u>4,071</u>	<u>22,655,435</u>	<u>1,273,009</u>	<u>23,928,444</u>
Capital Assets, Net	<u>\$ 16,895,124</u>				<u>\$ 15,562,005</u>

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2019, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	Balance June 30, 2018	Restatement	Balance June 30, 2018 Restated	Additions	Retirements	Balance June 30, 2019	Due Within One Year
NMFA loans	2,094,155	-	2,094,155	339,146	256,827	2,176,474	214,359
Capital leases	-	69,172	69,172	-	30,168	39,004	31,085
Total Loans Payable	<u>\$ 2,094,155</u>	<u>\$ 69,172</u>	<u>\$ 2,163,327</u>	<u>\$ 339,146</u>	<u>\$ 286,995</u>	<u>\$ 2,215,478</u>	<u>\$ 245,444</u>
Compensated Absences	\$ 266,542	\$ (87,886)	\$ 178,656	\$ 174,804	\$ 144,563	\$ 208,897	\$ 144,563
Total Long Term Debt	<u>\$ 2,360,697</u>	<u>\$ (18,714)</u>	<u>\$ 2,341,983</u>	<u>\$ 513,950</u>	<u>\$ 431,558</u>	<u>\$ 2,424,375</u>	<u>\$ 390,007</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

The City had the following loans outstanding in governmental funds during fiscal year 2019:

High School Road /Michigan Avenue Construction (NMFA 4)

On September 27, 2002, the City obtained a loan from the New Mexico Finance Authority in the amount of \$304,461, and bears interest at 2%, with payments due on May 1st and November 1st. The Loan was paid off in full on 6/28/2019. 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 7-190-11 and City ordinance No. 01-09-17.

Infrastructure Projects (NMFA 7)

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%. Payments are due May 1st and November 1st and mature on May 1, 2021. Revenue pledged to service this loan is 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. 06-02-0GA.

Fire Station Renovation Project (NMFA 18)

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.

Rodeo Sports Facility (NMFA 23)

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.

Fire Truck

The City entered into a loan agreement with the New Mexico Finance Authority 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 \$425,976. 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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Governmental Activities (continued)

Road Improvements (NMFA PPRF- 4938)

On June 28, 2019 the City obtained a loan from the New Mexico Finance Authority in the amount of \$339,146 and bears interest at a rate of 2%, with payments due May 1st and November 1st. The Loan is for the purposes of road improvements. Revenues pledged to service this loan are solely from the one eighth of one percent (.0128%) municipal infrastructure gross receipts tax imposed pursuant to section 7-19D-11 NMSA 1978 and City Ordinance No. 19-05-20.

A summary of the loans outstanding in governmental activities at June 30, 2019 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
NMFA Socorro PPRF-4938 Road Improvements	28-Jun-19	1-May-39	2.00%	\$ 339,146	\$ 339,146
NMFA Socorro City 7 Infrastructure Projects	1-Mar-06	1-May-21	3.39%	\$ 1,094,999	180,436
NMFA Socorro City 18 Fire Station Renovation Project	1-Sep-10	1-May-21	2.39%	\$ 309,575	67,354
NMFA Socorro City 23 Rodeo Sports Facility	1-Jun-13	1-May-38	2.34%	\$ 1,495,751	1,210,473
NMFA Socorro City 34 Fire Truck	1-Jun-17	1-May-27	1.09%	\$ 425,976	379,065
					<u>\$ 2,176,474</u>

The Annual requirements to amortize the above loans including interest payments as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 214,359	\$ 48,164	\$ 262,523
2021	224,408	40,579	264,987
2022	135,326	37,508	172,834
2023	120,205	35,089	155,294
2024	122,577	32,717	155,294
2025-2029	533,336	128,659	661,995
2030-2034	413,294	73,262	486,556
2035-2039	412,969	11,233	424,202
Total	<u>\$ 2,176,474</u>	<u>\$ 407,211</u>	<u>\$ 2,583,685</u>

Capital Lease Agreement

The City purchased a Caterpillar Moto Grader under a capital lease agreement on September 20, 2013 for \$200,750. The note bears interest at 3% and is required to make monthly principal and interest payments of \$2,652.56. This capital lease agreement will be paid off in full on September 20, 2019. The annual requirements to amortize this capital lease agreement including interest payments as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 31,085	\$ 745	\$ 31,830
2021	7,919	40	7,959
Total	<u>\$ 39,004</u>	<u>\$ 785</u>	<u>\$ 39,789</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities

The Joint Utility has incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant, and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Restatement	Balance June 30, 2019 Restated	Additions	Retirements	Balance June 30, 2018	Due Within One Year
USDA bonds payable	\$ 1,711,500	\$ -	\$ 1,711,500	\$ -	\$ 31,300	\$ 1,680,200	\$ 31,400
NMFA loans	2,093,770	-	2,093,770	477,244	180,501	2,390,513	263,480
NMED loans	1,270,011	-	1,270,011	-	72,127	1,197,884	98,153
Capital leases	102,307	38,487	140,794	93,777	116,669	117,902	41,241
Total bonds and loans payable	\$ 5,177,588	\$ 38,487	\$ 5,216,075	\$ 571,021	\$ 400,597	\$ 5,386,499	\$ 434,274
Landfill closure liability	\$ 314,307	\$ (199,843)	\$ 114,464	\$ 51,514	\$ -	\$ 165,978	\$ -
Compensated Absences	146,894	(17,613)	129,281	100,421	88,542	141,160	88,542
Total	\$ 461,201	\$ (217,456)	\$ 243,745	\$ 151,935	\$ 88,542	\$ 307,138	\$ 88,542
Total Long Term Debt	\$ 5,638,789	\$ (178,969)	\$ 5,459,820	\$ 722,956	\$ 489,139	\$ 5,693,637	\$ 522,816

Business-Type Activities

The Joint Utility had the following loans outstanding in the Joint Utility during fiscal year 2019:

Landfill Scale House (NMFA 2)

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 7-190-10 and 7-1-6.15, and City resolution No. 02-06-17-1.

Landfill Improvements (NMFA 15)

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.

Wastewater Treatment Plant Improvements (CWSRF 14)

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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

Drinking Water Replacement of Meter Readers (NMFA 21)

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 \$185,130. The loan bears interest at 0.25% and payments of \$18,854 are due annually in June, maturing in June of 2024.

Drinking Water System Improvement Project (NMFA 24)

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, with a maximum loan amount of \$484,000. The loan bears an interest rate of 0.25%, and matures in April 2036.

Gas Valve Project (NMFA 30)

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 \$811,138. The loan has a blended rate of 0.246972%. Principal and interest payments on the loan are due May 1st and November 15 maturing on May 1, 2035.

Wastewater Collection System Expansion (CWSRF 22)

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 loan bears interest at 0% with annual payments of \$47,500, maturing March 2031.

Clean Water State Revolving Fund (CWSRF 25)

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 \$417,635. The loan does not charge interest. Principal payments on the loan are due February 27th of each year, maturing on February 27, 2038.

Tractor Trailer Scraper (NMFA PPRF- 4883)

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the purchase of Tractor Trailer Scraper. The loan was finalized on March 1, 2019, with the City borrowing \$327,244. The note bears interest at 1.46%. Principal payments on the loan are due on May 1st and interest payments are due May and November 1st, maturing on May 1, 2023. Revenues pledged for the payment of this loan are the net system revenues of the solid waste utility of the City per City resolution No. 19-02-19b.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

Dumpster Loan (NMFA PPRF- 4930)

The City entered into a loan agreement with the New Mexico Finance Authority to borrow funds for the purchase of new commercial dumpsters for the solid waste department. The loan was finalized on June 14, 2019, with the City borrowing \$150,000. The note bears interest at 1%. Principal payments on the loan are due on May 1st and interest payments are due May 1st and November 1st, maturing on May 1, 2024. Revenues pledged for the payment of this loan are the net system revenues of the solid waste utility of the City per City resolution No. 19-05-06a.

A summary of all the loans outstanding in the Joint Utility at June 30, 2019 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
NMFA Socorro City 2 Landfill Scale House	1-Jul-02	1-May-22	4.25%	\$ 526,185	\$ 109,223
NMFA Socorro City 15 Landfill Improvements	1-May-09	1-May-29	3.59%	\$ 1,903,740	625,279
NMED - AARA CWSRF 14 Waste Water Plant Improvements	5-Apr-11	5-Apr-30	0.00%	\$ 75,075	41,291
NMFA Socorro City 21 Meter Readers	28-May-13	1-Jun-24	0.25%	\$ 185,130	92,249
NMFA Socorro City 24 Drinking Water System	1-Jun-13	1-May-25	0.25%	\$ 484,400	413,617
NMFA Socorro City 30 Gas Valve Project	1-Sep-16	1-May-31	0.1-2%	\$ 811,138	672,901
NMED - CWSRF 22 Wastewater Collection System	1-May-15	1-Mar-35	0.00%	\$ 950,000	760,000
NMED - CWSRF 25 Clean Water State Revolving	1-Apr-18	27-Feb-35	0.00%	\$ 417,635	396,593
NMFA PPRF-4883 Tractor Trailer Scraper	1-Mar-19	1-Apr-22	1.46%	\$ 327,244	327,244
NMFA PPRF -4930 Dumpster Loan Agreement	14-Jun-19	1-May-24	1.00%	\$ 150,000	150,000
					<u>\$ 3,588,397</u>

The Annual requirements to amortize the above loans in the Joint Utility including interest payments as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 361,634	\$ 38,724	\$ 400,358
2021	372,149	33132	405,281
2022	377,671	33804	411,475
2023	343,847	21688	365,535
2024	262,920	18272	281,192
2025-2029	1,107,441	50148	1,157,589
2030-2034	582,175	1713	583,888
2035-2039	180,560	246	180,806
Total	<u>\$ 3,588,397</u>	<u>\$ 197,727</u>	<u>\$ 3,786,124</u>

The Joint Utility had the following bonds outstanding during fiscal year 2019:

USDA 13 - Wastewater Revenue Bonds Series 2010

On February 9, 2010 the City Issued \$132,000 of revenue bonds to the USDA for the purpose of improving and extending the waste water component of the Joint Utility System. The loan was finalized on February 19, 2010. The bonds bear interest at 2.625%. Payments on the bonds are due on February 19th and maturing on February 19, 2050. Revenues pledged for the payment of these bonds are the net system revenues of the Joint Utility System. The Bonds were issued under and persistent to City Bond Ordinance NO. 11-01-18a.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

USDA 11A - Joint Utility System Improvement Revenue Bonds Series 2011A

On August 4, 2011 the City Issued \$515,000 of revenue bonds to the USDA for the purpose of constructing, enlarging, improving and extending the waste water system component of the Joint Utility System. The loan was finalized on August 4, 2011. The bonds bear interest at 2.5%. Payments on the bonds are due on August 4 and maturing on August 4, 2051. Revenues pledged for the payment of these bonds are the net system revenues of the Joint Utility System. The Bonds were issued under and persistent to City Bond Ordinance NO. 09-11-25.

USDA 16 – Arsenic Revenue Bonds Series 2013A

On January 18, 2013 the City Issued \$1,230,000 of revenue bonds to the USDA for the purpose of constructing, enlarging, improving and extending the arsenic treatment facility component of the Joint Utility System. The loan was finalized on January 4, 2015. The bonds bear interest at 2.5%. Payments on the bonds are due on January 8th and maturing on August 4, 2051. Revenues pledged for the payment of these bonds are the net system revenues of the Joint Utility System. The Bonds were issued under and persistent to City Bond Ordinance NO. 11-01-18F.

A summary of all the bonds outstanding in the Joint Utility at June 30, 2019 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
USDA - 13 W/W Revenue Bonds - Series 2010	10-Feb-10	1-Feb-50	2.63%	\$ 132,000	\$ 113,200
USDA - 11A JU System Improvement Bonds - Series 2011A	4-Aug-11	1-Aug-51	2.50%	\$ 515,000	457,000
USDA - 16 Arsenic Bonds - Series 2013A	18-Jan-13	1-Jan-53	2.50%	\$ 1,230,000	1,110,000
					<u>\$ 1,680,200</u>

The Annual requirements to amortize the above bonds in the Joint Utility including interest payments as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 31,400	\$ 42,250	\$ 73,650
2021	31,400	41,450	72,850
2022	32,500	40,650	73,150
2023	32,600	39,850	72,450
2024	32,600	39,050	71,650
2025-2029	188,300	182,400	370,700
2030-2034	228,200	156,050	384,250
2035-2039	238,500	126,900	365,400
2040-2044	289,000	95,050	384,050
2045-2049	312,900	57,100	370,000
2050-2054	262,800	16,350	279,150
Total	<u>\$ 1,680,200</u>	<u>\$ 837,100</u>	<u>\$ 2,517,300</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

Capital Lease Agreement

The Joint Utility had the following capital lease agreements outstanding during fiscal year 2019:

KS State Bank Dump Truck

On October 3, 2018 the City entered into a capital lease agreement with Kansas State Bank for \$93,777 for the purpose of purchasing an International MV607 with a 6 yard dump body. The capital lease agreement bears interest at a rate of 4%. Monthly payments are due in the amount of \$1,299.37 which consists of interest and principal. The capital lease agreement will be paid in full on January 15, 2026.

KS State Bank Garbage Truck

On October 14, 2014 the City entered into a capital lease agreement with Kansas State Bank for \$132,342 for the purpose of purchasing a Garbage Truck. The capital lease agreement bears interest at a rate of 4.10%. Monthly payments are due in the amount of \$2,435 which consists of interest and principal. The capital lease agreement will be paid in full on September 15, 2019.

Caterpillar FS Compactor

On October 13, 2012 the City entered into a capital lease agreement with Caterpillar Financial Services for \$543,456 for the purpose of purchasing a Trash Compactor. The capital lease agreement bears interest at a rate of 3.20%. Monthly payments are due in the amount of \$7,308.67 which consists of interest and principal. The capital lease agreement will be paid in full on September 13, 2019.

A summary of the capital leases outstanding in the Joint Utility at June 30, 2019 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
KS State Bank Dump Truck	3-Oct-18	26-Jan-15	4.00%	\$ 93,777	\$ 88,838
KS State Bank Garbage Truck	14-Oct-14	15-Sep-19	4.10%	\$ 132,342	7,258
Caterpillar Financial Services Corp. Compactor	13-Sep-12	13-Sep-19	3.20%	\$ 543,456	21,806
					<u>\$ 117,902</u>

The Annual requirements to amortize the above capital leases in the Joint Utility including interest payments as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 41,242	\$ 3,580	\$ 44,822
2021	12709	2883	15592
2022	13216	2376	15592
2023	13768	1824	15592
2024	14343	1249	15592
2025-2029	22624	742	23366
Total	<u>\$ 117,902</u>	<u>\$ 12,654</u>	<u>\$ 130,556</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Long-term Debt (continued)

Business-Type Activities (continued)

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 total landfill capacity is estimated to be 1,735,411 cubic yards. As of June 30, 2019 total cubic yards used is estimated to be 165,979 or 9.56% with total landfill closure costs estimated to be \$1,419,145 resulting in the City recognizing post closure expense of \$51,514 and landfill closure liability as of June 30, 2019 of \$165,978. The \$165,978 reported as landfill closure liability (includes: landfill closure, post closure care, phase I and phase II assessments and corrective action costs) at June 30, 2019, 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.

NOTE 8. Other Required Fund Disclosures

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

- A. Deficit fund balance/net position of individual funds. The deficit fund balances as of June 30, 2019 were as follows:

<u>Fund</u>	<u>Amount</u>
Fire Protection	\$ (938)

NOTE 9. Restatement

Governmental Activities recorded the following restatements:

<u>Fund Name</u>	<u>Net position / June 30, 2019</u>	<u>Capital Assets</u>	<u>Liabilities / Debt</u>	<u>Real Estate Contract</u>	<u>Restated Net Position June 30, 2018</u>
Government Wide Restatements:					
Governmental Activities	\$ 4,708,968	\$ 217,945	\$ 18,714	\$ 459,232	\$ 5,404,859
Business-type Activities Joint Utility	9,400,455	(638,359)	202,335	(165,308)	8,799,123
Total	<u>\$ 14,109,423</u>	<u>\$ (420,414)</u>	<u>\$ 221,049</u>	<u>\$ 293,924</u>	<u>\$ 14,203,982</u>

The above restatements consisted of the following in Governmental Activities:

- Capital Assets
 - Beginning governmental capital assets were understated by \$766,631.
 - Previous accumulated depreciation was understated by \$548,686.

The total restatement to capital assets in Governmental Activities is \$217,945 (\$766,631 – \$548,686).

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 9. Restatement (continued)

- Liabilities / Debt
 - Previous compensated absences included all employees sick time resulting in compensated absences being overstated by \$87,886.
 - A capital lease for a caterpillar moto grader was not accounted for resulting in an increase to beginning liabilities by \$69,172.

The total restatement to liabilities and debt in Governmental Activities is \$18,714 (\$87,886 - \$69,172)

- Real Estate Contract
 - The real estate contract receivable in the amount of \$305,319 was improperly booked in the Joint Utility, and the City restated this balance into the General Fund along with the inflow of resources of the same amount.
 - In the previous year deferred inflow of resources for \$153,913 was booked in the fund financial statements which use the current financial resources measurement focus and the modified accrual basis of accounting but it was not properly accounted for on the Statement of Net Position which is prepared using the economic resources measurement focus and the accrual basis of accounting. This balance should have been a reconciling item in the Reconciliation of the Balance Sheet to the Statement of Net Position.

The total restatement to real estate contract receivable in governmental activities is \$459,232 (\$305,319 + \$153,913).

The above restatements consisted of the following in Business-type Activities:

- Capital Assets
 - \$766,630 of capital assets in the PY was improperly allocated to the Joint Utility with \$45,079 of accumulated depreciation.
 - A dump truck costing the city \$132,342 was not capitalized in Fiscal year 2013 resulting in an increase to accumulative depreciation of \$49,150.

The total restatement to capital assets in Business-type Activities is -\$638,359 (-\$766,630 + \$45,079 + \$132,342 - \$49,150).

Liabilities / Debt

- The Capital lease agreement in fiscal year 2015 for a garbage truck in the original principal amount of \$132,342 was not accounted for the City's debt roll forward having a beginning balance owed at June 30, 2018 of \$33,483.
- The Capital lease agreement for a compactor had its principal outstanding was understated by \$5,004 as of 6/30/2018.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 9. Restatement (continued)

- Accrued interest was over stated by \$23,367.
- Beginning Landfill liability was over stated by \$199,843.
- Beginning Compensated absences improperly included all employees sick time resulting in beginning compensated absences being overstated by \$17,612.

The total restatement to Liabilities / Debt in Business-type Activities is \$202,335 (-\$33,483 - \$5,004 + \$23,367 + \$199,843 + 17,612).

- Real Estate Contract

- The City has a real estate contract outstanding with amounts due to the General fund and improperly booked a receivable in the Joint Utility of \$307,180. Also the City improperly accounted for this receivable on the full accrual basis by booking a deferred inflow of resources related to the contract receivable for \$141,872.

The total restatement to Real Estate Contract in Business-type Activities is -\$165,308 (-\$307,180 + \$141,872).

NOTE 10. 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, 2019, 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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

The Public Employees Retirement Fund (PERA Fund) 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/>.

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2019 available at <http://saonm.org/>.

Contributions

The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.pdf.

The PERA coverage options that apply to the City are: Municipal General, Municipal Police, and The Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$549,369 for the year ended June 30, 2019. The City did pick-up portions of the employee's contributions.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association (continued)

Contributions. See PERA's comprehensive annual financial report for Contributions Provided descriptions.

PERA Contribution Rates and Pension Factors as of July 1, 2018						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per		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	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%

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association (continued)

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

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2019, the City reported a liability of \$6,141,513 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .3852 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal General Pension expense of \$346,929. At June 30, 2019, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 177,502	\$ 161,244
Changes of assumptions	556,815	35,311
Net difference between projected and actual earnings on pension plan investments	455,486	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	42,087	53,466
City's contributions subsequent to the measurement date	308,131	-
Total	<u>\$ 1,540,021</u>	<u>\$ 250,021</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association (continued)

\$308,131 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$	643,931
2021		265,685
2022		49,503
2023		22,750
Thereafter		-
Total	\$	<u>981,869</u>

For PERA Fund Division Municipal Police, at June 30, 2019, the City reported a liability of \$2,029,855 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .2975 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal Police pension expense of \$127,207. At June 30, 2019, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,372	\$ 201,212
Changes of assumptions	231,609	12,409
Net difference between projected and actual earnings on pension plan investments	139,683	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	11,364	56,517
City's contributions subsequent to the measurement date	<u>119,553</u>	<u>-</u>
Total	<u>\$ 601,581</u>	<u>\$ 270,138</u>

The City's contributions of \$119,553 are reported as deferred outflows of resources related to pensions, resulting in the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association (continued)

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 132,923
2021	20,509
2022	51,121
2023	7,337
Thereafter	-
Total	<u>\$ 211,890</u>

For PERA Fund Division Municipal Fire, at June 30, 2019, the City reported a liability of \$2,948,129 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was .4606 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division Municipal Fire pension expense of \$104,079. At June 30, 2019, the City reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,377	\$ 215,006
Changes of assumptions	170,264	10,765
Net difference between projected and actual earnings on pension plan investments	103,383	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	1,034	23,236
City's contributions subsequent to the measurement date	121,813	-
Total	<u>\$ 443,871</u>	<u>\$ 249,007</u>

\$121,813 reported as deferred outflows of resources related to pensions resulting in the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 72,122
2021	(25,021)
2022	20,765
2023	5,185
Thereafter	-
Total	<u>\$ 73,051</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association (continued)

Actuarial Assumptions: The total pension liability at June 30, 2018 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed Market Value
Retirement	Changes to current assumed rates of Retirement reduce expectations.
Disability	Lower rates for State police, Muni Male and Muni Police
Remaining Amortization Period	30 Years
Administrative Expenses	.5% of Payroll
Actuarial assumptions:	Fair value
Investment rate of return	7.25% Static
Payroll growth	3.00% Static
Projected salary increases	3.25%-13.5%
Real investment Return	4.75% above inflation.
Mortality assumption	RPH-2014 Blue Collar Mortality
Experience study dates	July 1, 2012 to June 30, 2017

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent 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	43.5%	7.48%
Risk Reduction	21.5%	2.37%
Credit Oriented	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.25% assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 11. Pension Plan- Public Employees Retirement Association (continued)

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Fund Division Municipal Government	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 9,463,661	\$ 6,141,513	\$ 3,395,227
PERA Fund Division Municipal Police	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 3,121,084	\$ 2,029,855	\$ 1,140,245
PERA Fund Division Fire Government	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	\$ 3,935,528	\$ 2,948,129	\$ 2,139,243

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at:

<http://www.pera.state.nm.us/publications.html>.

Payables to pension plan: As of June 30, 2019, the City had no outstanding amount of contributions to the pension plan.

Changes of Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf.

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report_FINAL.pdf.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan

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.

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.

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 \$90,887 for the year ending June 30, 2019.

At June 30, 2019, the City reported a liability of \$4,791,017 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the City's proportion was 0.11018 percent.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

For the year ended June 30, 2019, the City recognized OPEB expense of \$(112,721). At June 30, 2019 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	\$ -	\$ 283,659
Changes of assumptions	-	894,462
Net difference between projected and actual earnings on pension plan investments	-	59,790
Changes in proportion	-	72,989
City's contributions subsequent to the measurement date	90,887	-
Total	\$ 90,887	\$ 1,310,900

Deferred outflows of resources totaling \$90,887 which represents the City's 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Amount
2020	\$ (329,900)
2021	(329,900)
2022	(329,900)
2023	(258,358)
2024	(62,572)
Total	\$ (1,310,630)

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB; 2.25% for PERA
Projected payroll increase	3.50%
Investment rate of return	7.25 net of OPEB plan expense and margin for adverse deviation including inflation
Health care cost trend	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 years for Medicare medical plan costs
Mortality assumption	RP-2000 Combined mortality table with white collar adjustment (males) and GRS Southwest Regional Teacher Mortality Tables (females) PERA members: RP-2000 combined healthcare mortality.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 are as follows:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Core Fixed Income	20.0%	2.10%
US Equity-Large Cap	20.0%	7.10%
Non US Emerging	15.0%	10.20%
NON US Developed	12.0%	7.80%
Private Equity	10.0%	11.80%
Credit and Structured	21.5%	5.30%
Real Estate	5.0%	4.90%
Absolute Return	5.0%	4.10%
US Equity Small Cap	3.0%	7.10%
Total	100%	

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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 (3.87%) or higher, thus, 4.08 is the blended discount rate.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 12. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

RHC Fund Division Municipal Government	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
City's proportionate share of the net OPEB liability	\$ 5,798,259	\$ 4,791,017	\$ 3,997,086

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, 2018.

NOTE 13. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 3, 2019 which is the date on which the financial statements were available to be issued.

On July 31, 2019 the City issued a loan in the amount of \$1,061,094 to the New Mexico Finance Authority for the designing, construction, installing, equipping and improving the City's Convention Center. The first interest and principal payment is due May 1, 2020 for \$31,809.76. this loan is secured by the revenues derived from the lodgers tax ordinance for the use of rooms in lodging facilities located in the limits of the City.

On August 5, 2019 the City approved the issuance of a bridge loan agreement with the Rural Community Assistance Corporation for \$1,796,000 for the engineering on their water treatment plant. This loan will be replaced in the future with a USDA loan in the amount of approximately \$7,675,500 when construction on the water treatment plant commences. These loans will be secured by the net revenues of the Joint Utility System.

NOTE 14. Restricted net position

The government-wide statement of net position reports restricted net position in governmental funds of \$1,865,772. For descriptions of the related enabling legislation for special revenue, capital projects, see page 36 and pages 82-83 for descriptions of the related restrictions for special revenue, debt service capital projects funds. The government-wide statement of net position reports restricted net position in business-type activities of \$520,166. This amount is restricted for capital projects and debt service for joint utility debt service and capital improvements.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 15. Leases

The City has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal year ending June 30,	Amount
2020	\$ 12,716
2021	-
2022	-
2023	-
2024	-
Total	\$ 12,716

NOTE 16. Related Party

As of June 30, 2019, the City's management was aware of the following related party relationships:

Vendor Name	Relationship	Total Expenditures
Best Western Socorro Hotel	Owned by the Mayor	\$ 1,245
Bhasker Medical Clinic PC	Owned by the Mayor	\$ 12,063
Lukesh Caral Janitorial Services	Related to Accounts Payable Clerk	\$ 1,075
Anthony Lukesh Janitorial Services	Related to Accounts Payable Clerk	\$ 3,750
Hiks Paint and Body	Owned By City Councilor	\$ 766
Trujillo Signs T-Shirts	Owned By City Compliance Officer	\$ 3,176
Serna's Locksmith	Owned By City Code Enforcement	\$ 1,171
The Water / Ice Store, LLC	Owned by City Council Member	\$ 1,087

NOTE 17. GASB 77 Disclosures (Tax Abatements)

Management of the City is not aware of any tax abatement agreements that existed as of June 30, 2019.

NOTE 18. Joint Powers Agreements

Central Solid Waste Authority

Participants	County of Socorro City of Socorro
Responsible party	Socorro County and City of Socorro
Description	Commencing May 1, 2019 and every year thereafter the County shall distribute \$40,000.00 from County fund .No 401-010-5245 to the City, for the sole purpose of applying the funds toward the Ambulance (EMS) Services per NMSA 1978, Section 5-1-1 (1974). Commencing May 1, 2019, the City shall distribute all monies remaining after May 1, of that year, in City fund .No 201 to the County, for the sole purpose of applying the funds toward the maintenance and operation of the Socorro County Detention Center pursuant to NMSA 1978 Section 33-3-1 (1984).
Term of agreement	2018 with automatic one year renewals on January 1.
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	City of Socorro and Socorro County

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REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability of PERA

Fund Division – Municipal General

Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.3852%	0.3886%	0.3889%	0.3903%	0.3941%
City's proportionate share of the net pension liability (asset)	\$ 6,141,513	\$ 5,339,693	\$ 6,087,098	\$ 3,944,781	\$ 3,093,126
City's covered-employee payroll	\$ 3,225,155	\$ 2,793,566	\$ 2,905,236	\$ 2,866,523	\$ 2,714,235
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	190.43%	191.14%	209.52%	137.62%	113.96%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

Schedules of Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability of PERA
Fund Division – Municipal Police
Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL POLICE FUND	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.2975%	0.2948%	0.2998%	0.2965%	0.2999%
City's proportionate share of the net pension liability (asset)	\$ 2,029,855	\$ 1,637,807	\$ 2,296,864	\$ 1,520,948	\$ 1,131,182
City's covered-employee payroll	\$ 632,555	\$ 655,232	\$ 631,560	\$ 807,916	\$ 750,255
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	320.90%	249.96%	363.68%	188.26%	150.77%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedules of Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability of PERA
Fund Division – Municipal Fire
Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

Schedule I
 Page 3 of 3

MUNICIPAL FIRE FUND	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.4606%	0.4617%	0.4721%	0.4655%	0.4568%
City's proportionate share of the net pension liability (asset)	\$ 2,948,129	\$ 2,641,592	\$ 3,118,700	\$ 2,408,724	\$ 1,999,760
City's covered-employee payroll	\$ 440,555	\$ 504,651	\$ 452,185	\$ 466,525	\$ 481,072
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	669.19%	523.45%	689.70%	516.31%	415.69%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Years*

Schedule II
Page 1 of 3

MUNICIPAL GENERAL FUND	2019	2018	2017	2016	2015
Contractually required contribution	\$ 308,002	\$ 311,000	\$ 326,000	\$ 590,000	\$ 638,000
Contributions in relation to the contractually required contribution	\$ 308,131	\$ 311,000	\$ 326,000	\$ 590,000	\$ 638,000
Contribution deficiency (excess)	\$ (129)	\$ -	\$ -	-	-
City's covered-employee payroll	\$ 3,225,155	\$ 2,793,566	\$ 2,905,236	\$ 2,866,523	\$ 2,714,235
Contributions as a percentage of covered-employee payroll	9.55%	11.13%	11.22%	20.58%	23.51%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal Police
Last 10 Years*

Schedule II
Page 2 of 3

MUNICIPAL POLICE FUND	2019	2018	2017	2016	2015
Contractually required contribution	\$ 119,553	\$ 119,000	\$ 115,000	\$ 170,000	\$ 141,000
Contributions in relation to the contractually required contribution	\$ 119,553	\$ 119,000	\$ 115,000	\$ 170,000	\$ 141,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 632,555	\$ 655,232	\$ 631,560	\$ 807,916	\$ 807,916
Contributions as a percentage of covered-employee payroll	18.90%	18.16%	18.21%	21.04%	17.45%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal Fire
Last 10 Years*

Schedule II
 Page 3 of 3

MUNICIPAL FIRE FUND	2019	2018	2017	2016	2015
Contractually required contribution	\$ 121,813	\$ 127,000	\$ 124,000	\$ 160,000	\$ 127,000
Contributions in relation to the contractually required contribution	\$ 121,813	\$ 127,000	\$ 124,000	\$ 160,000	\$ 127,000
Contribution deficiency (excess)	\$ 0	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 458,233	\$ 504,651	\$ 452,185	\$ 466,525	\$ 481,072
Contributions as a percentage of covered-employee payroll	27.65%	28.70%	27.42%	29.90%	29.90%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedules of Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Retiree Health Care Last 10 Fiscal Years*

Schedule III

CITY IN SUMMATION	2019	2018
City's proportion of the net OPEB liability (asset)	0.1108%	0.1118%
City's proportionate share of the net OPEB liability	\$ 4,791,017	\$ 5,065,051
City's covered-employee payroll	\$ 3,029,368	\$ 4,665,944
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	158.15%	108.55%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

**STATE OF NEW MEXICO
City of Socorro
Schedules of Contributions
OPEB
Last 10 Fiscal Years***

Schedule IV

CITY IN SUMMATION	2019	2018
Contractually required contribution	\$ 90,881	\$ 139,978
Contributions in relation to the contractually required contribution	\$ 90,887	\$ 94,094
City's covered-employee payroll	\$ 3,029,368	\$ 4,665,944
Contributions as a percentage of covered-employee payroll	3.00%	2.02%

*The amounts presented were determined as of June 30. 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 those years for which information is available.

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Notes to the Required Supplementary Information
June 30, 2019

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 Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30 2018 report is available at www.nmpera.org.

There were no major changes to benefit terms which impact the measurements provided in the Retirement Healthcare Fund. The 2018 report can be found at www.nmrhc.org.

Changes in Assumption

The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in PERA June 30, 2018 pension valuation. The Actuarial Assumptions are contained in Sections 3 of the RHCA GASB Actuarial Report.

See Independent Auditors' Report

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Socorro
Nonmajor Governmental Fund Description
June 30, 2019

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-IOA-1 through 24-IOA-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 N MSA, 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.

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.

STATE OF NEW MEXICO
City of Socorro
Nonmajor Governmental Fund Description
June 30, 2019

Special Revenue Funds (continued)

Library 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.

Capital Projects Funds

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.

Rodeo Area Fund - 311

To account for improvements and facilities to the rodeo area 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 – 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 Funds

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.

STATE OF NEW MEXICO
City of Socorro
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue			
	Sedillo Park Renovations # 107	Corrections # 201	State EMS # 206	Fire Protection # 209
Assets				
Cash and cash equivalents	\$ 21,840	\$ -	\$ -	\$ -
Restricted cash	-	-	-	858
Other Receivables	-	-	-	-
Lodgers taxes receivables	-	-	-	-
Total assets	\$ 21,840	\$ -	\$ -	\$ 858
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,796
Total liabilities	-	-	-	1,796
Fund balance				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	21,840	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	(938)
Total fund balances	21,840	-	-	(938)
Total liabilities and fund balances	\$ 21,840	\$ -	\$ -	\$ 858

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue

LEPF # 211	Lodgers Tax # 214	Lodgers Tax Promotion # 215	Recreation # 217	Library # 218	Juvenile Justice # 241	Rodeo Arena # 249
\$ -	\$ 75,865	\$ 92,258	\$ 150	\$ 1,669	\$ 8,187	\$ -
-	-	22,199	-	-	-	-
-	-	-	-	-	15,958	-
-	11,357	33,025	-	-	-	-
<u>\$ -</u>	<u>\$ 87,222</u>	<u>\$ 147,482</u>	<u>\$ 150</u>	<u>\$ 1,669</u>	<u>\$ 24,145</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	24,145	-
-	87,222	125,283	150	1,669	-	-
-	-	-	-	-	-	-
-	-	22,199	-	-	-	-
-	-	-	-	-	-	-
 	87,222	147,482	150	1,669	24,145	-
<u>\$ -</u>	<u>\$ 87,222</u>	<u>\$ 147,482</u>	<u>\$ 150</u>	<u>\$ 1,669</u>	<u>\$ 24,145</u>	<u>\$ -</u>

STATE OF NEW MEXICO
City of Socorro
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Capital Projects			Debt Service
	Airport Improvements # 304	Rodeo Area # 311	CDBG # 315	Debt Service # 403
Assets				
Cash and cash equivalents	\$ 3,946	\$ -	\$ 588	\$ -
Restricted cash	-	-	-	259,297
Other Receivables	-	-	42,255	-
Lodgers taxes receivables	-	-	-	-
Total assets	\$ 3,946	\$ -	\$ 42,843	\$ 259,297
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balance				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Debt service expenditures	-	-	-	259,297
Capital projects	3,946	-	42,843	-
Unassigned	-	-	-	-
Total fund balances	3,946	-	42,843	259,297
Total liabilities and fund balances	\$ 3,946	\$ -	\$ 42,843	\$ 259,297

See Independent Auditors' Report and Notes to Financial Statements

**Total Nonmajor
Governmental Funds**

<hr/>	
\$	204,503
	282,354
	58,213
	44,382
<hr/>	
\$	589,452
<hr/>	

\$	1,796
<hr/>	
	1,796
<hr/>	

	24,145
	236,164
	259,297
	68,988
	(938)
<hr/>	
	587,656
<hr/>	
\$	589,452
<hr/>	

STATE OF NEW MEXICO
City of Socorro
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue			
	Sedillo Park Renovations # 107	Corrections # 201	State EMS # 206	Fire Protection # 209
Revenues				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ 86,400
Lodger's taxes	-	-	-	-
State operating grants	-	-	20,000	-
State capital grants	-	-	-	201,574
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
Charges for services	21,690	-	-	-
Licenses and fees	-	18,197	-	-
Interest income	-	-	-	856
Miscellaneous income	-	-	-	-
Total revenue	21,690	18,197	20,000	288,830
Expenditures				
Current:				
Public safety	-	20,852	20,000	233,349
Public works	-	-	-	-
Culture and recreation	5,876	-	-	-
Capital outlay	9,087	-	-	-
Debt service:				
Principal	-	-	-	44,128
Interest	-	-	-	10,892
Total expenditures	14,963	20,852	20,000	288,369
Excess (deficiency) of revenues over expenditures	6,727	(2,655)	-	461
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	6,727	(2,655)	-	461
Fund balance - beginning of year	15,113	2,655	-	(1,399)
Fund balance - end of year	\$ 21,840	\$ -	\$ -	\$ (938)

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue						
LEPF # 211	Lodgers Tax # 214	Lodgers Tax Promotion # 215	Recreation # 217	Library # 218	Juvenile Justice # 241	Rodeo Arena # 249
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	205,123	228,159	-	-	-	-
29,000	4,239	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	110,698	-
-	-	-	-	-	-	-
-	-	-	38,778	-	-	85,093
-	-	-	-	-	-	-
-	-	848	-	-	-	-
-	-	3,795	28,629	-	-	-
<u>29,000</u>	<u>209,362</u>	<u>232,802</u>	<u>67,407</u>	<u>-</u>	<u>110,698</u>	<u>85,093</u>
29,000	-	-	-	-	118,607	-
-	-	-	-	-	-	-
-	138,905	216,615	301,482	-	-	196,389
-	-	-	-	-	-	-
-	-	49,471	-	-	-	-
-	-	30,660	-	-	-	-
<u>29,000</u>	<u>138,905</u>	<u>296,746</u>	<u>301,482</u>	<u>-</u>	<u>118,607</u>	<u>196,389</u>
-	70,457	(63,944)	(234,075)	-	(7,909)	(111,296)
-	-	-	236,302	-	-	115,244
-	(20,000)	-	-	-	-	-
-	-	-	-	-	-	-
-	(20,000)	-	236,302	-	-	115,244
-	50,457	(63,944)	2,227	-	(7,909)	3,948
-	36,765	211,426	(2,077)	1,669	32,054	(3,948)
<u>\$ -</u>	<u>\$ 87,222</u>	<u>\$ 147,482</u>	<u>\$ 150</u>	<u>\$ 1,669</u>	<u>\$ 24,145</u>	<u>\$ -</u>

STATE OF NEW MEXICO
City of Socorro
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Capital Projects			Debt Service
	Airport Improvements # 304	Rodeo Area # 311	CDBG # 315	Debt Service # 403
Revenues				
Gross receipt taxes	\$ -	\$ -	\$ -	\$ 97,773
Lodger's taxes	-	-	-	-
State operating grants	-	-	-	-
State capital grants	3,793	146,094	630,431	-
Federal operating grants	-	-	-	-
Federal capital grants	70,375	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	5,182
Miscellaneous income	-	-	-	-
Total revenue	74,168	146,094	630,431	102,955
Expenditures				
Current:				
Public safety	-	-	-	-
Public works	-	-	7,973	-
Culture and recreation	-	-	-	-
Capital outlay	92,597	248,257	633,807	-
Debt service:				
Principal	-	-	-	120,061
Interest	-	-	-	16,601
Total expenditures	92,597	248,257	641,780	136,662
Excess (deficiency) of revenues over expenditures	(18,429)	(102,163)	(11,349)	(33,707)
Other financing sources (uses)				
Transfers in	-	55,754	49,808	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	24,226
Total other financing sources (uses)	-	55,754	49,808	24,226
Net change in fund balance	(18,429)	(46,409)	38,459	(9,481)
Fund balance - beginning of year	22,375	46,409	4,384	268,778
Fund balance - end of year	\$ 3,946	\$ -	\$ 42,843	\$ 259,297

See Independent Auditors' Report and Notes to Financial Statements

**Total Nonmajor
Governmental Funds**

<hr/>	
\$	184,173
	433,282
	53,239
	981,892
	110,698
	70,375
	145,561
	18,197
	6,886
	32,424
	<hr/>
	2,036,727
	<hr/>
	421,808
	7,973
	859,267
	983,748
	213,660
	58,153
	<hr/>
	2,544,609
	<hr/>
	(507,882)
	<hr/>
	457,108
	(20,000)
	24,226
	<hr/>
	461,334
	<hr/>
	(46,548)
	634,204
	<hr/>
\$	587,656
	<hr/>

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Socorro
Schedule of Deposits and Investments
June 30, 2019

Schedule V

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo:					
Money Market Funds	Money Market	\$ 983,502	\$ -	\$ -	\$ 983,502
Total Wells Fargo Bank, N.A.		<u>983,502</u>	<u>-</u>	<u>-</u>	<u>983,502</u>
First State Bank:					
Operating Account	Checking	1,566,303	11,108	(479,542)	1,097,869
Operating Account	Checking	139,534	2,365		141,899
E-Pay	Savings	206,429			206,429
CDBG	Savings	6,946		(6,358)	588
Payroll Account	Checking	40,257	-	(32,075)	8,182
Savings	Checking	901,102	-	-	901,102
Total First State Bank		<u>2,860,571</u>	<u>13,473</u>	<u>(517,975)</u>	<u>2,356,069</u>
Washington Federal					
Operating Account	Checking	72,198	-	-	72,198
Total Washington Federal		<u>72,198</u>	<u>-</u>	<u>-</u>	<u>72,198</u>
New Mexico Finance Authority:					
Cash	Debt Service	324,345	-	-	324,345
Reserve Funds Payable	Program Funds	645,305	64,833		710,138
Total New Mexico Finance Authority		<u>969,650</u>	<u>64,833</u>	<u>-</u>	<u>1,034,483</u>
Total		<u>\$ 4,885,921</u>	<u>\$ 78,306</u>	<u>\$ (517,975)</u>	<u>4,446,252</u>
Petty cash					900
Total Deposits					<u>\$ 4,447,152</u>
Total cash and cash equivalents per Statement of Net Position					\$ 3,292,791
Total restricted cash and cash equivalents per Statement of Net Position					1,071,730
Total customer deposits per Statement of Net Position					82,631
Total cash and cash equivalents					<u>\$ 4,447,152</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2019

Schedule VI

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP / Description</u>	<u>Fair Market Value</u>
First State Bank	FCB 2.270	NA	3133EEB33	\$ 886,647
First State Bank	FNMA FNMS	NA	31331VKU9	510,181
				<u>\$ 1,396,828</u>

See Independent Auditors' Report

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COMPLIANCE SECTION



Auditors~Consultants~CPA

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 Honorable Brian S. Colon
New Mexico State Auditor
and
The City Council
City of Socorro
Socorro, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the and the budgetary comparisons for the general fund and the major special revenue funds of the City of Socorro, New Mexico (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 3, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico
October 3, 2019

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FEDERAL FINANCIAL ASSISTANCE



Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To Honorable Brian S. Colon
New Mexico State Auditor
and
The City Council
City of Socorro
Socorro, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Socorro, New Mexico (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico
October 3, 2019

STATE OF NEW MEXICO
City of Socorro
Schedule of Expenditures of Federal Awards
June 30, 2019

Schedule VII

Federal grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Major Program	Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
Unites States Department of Transporatation					
Passed Through New Mexico Department of Transportation					
Public Rual Transportation	20.509	No	\$ 120,495	\$ -	\$ -
Unites States Department of Justice					
Passed through New Mexico Children and Youth Families Department					
Juvenile Assistance Grant	16.601	No	118,608	-	-
United States Center of Desiease Control					
Passed through New Mexico Department of Health					
Community Transformation Grant	93.531	No	53,547	-	-
United States Federal Emergency Management Agency					
Homeland Security and Emergancey Management					
Public Assistance Grant	97.036	No	23,876	-	-
United States Federal Emergency Management Agency					
Passed through New Mexico Department of Substance Abuse					
Drug Free Communities	93.959	No	147,141	-	-
United States Federal Aviation Grant					
Direct					
Airport Project	20.106	No	92,597	-	-
United States Department of Housing and Urban Development					
Passed through New Mexico Departmenbt of Finance and Ademistration					
Texas Street Dranage Project	14.218	Yes	632,234	-	-
Total Expenditures of Federal Awards			<u>\$ 1,188,498</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

NOTE 1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the financial statements.

The City did not expend federal awards related to loans or loan guarantees during the year.

The City did not elect to use the allowed 10% indirect cost rate.

The City has no federally funded insurance.

NOTE 2. General

The following is a reconciliation of the total Federal Awards of the City for the year ended June 30, 2019:

City of Socorro's federal expenditures of federal awards on SEFA	\$ 1,188,498
Expenditures funded by other sources	<u>16,303,012</u>
Total expenditures	<u>\$ 17,491,510</u>

STATE OF NEW MEXICO
City of Socorro
Schedule of Findings and Questioned Costs
June 30, 2019

Section I: SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued **Unmodified**

Internal control over financial reporting:

Material Weakness identified	No
Significant deficiencies identified?	No
Noncompliance material to the financial statements?	No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	No

Any Audit finding disclosed that are required to be reported in accordance with 2 CFR	No
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Identification of major federal programs and type of auditors report issued on compliance for major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Auditors report Issued on Compliance for Major Federal Programs</u>
14.218	United States Department of Housing and Urban Development	Unmodified

Dollar threshold used to distinguish between a type A and type B programs.	\$750,000
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Auditee qualified as a low-risk auditee?	No
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STATE OF NEW MEXICO
City of Socorro
Schedule of Findings and Questioned Costs
June 30, 2019

Section II: Prior Year Audit Findings

2016-002	Lack of internal Controls Over Cash Disbursements	Resolved
2018-001	Financial Close and Reporting	Resolved
2018-002	Restatement of Net Position	Resolved

Section III: Audit Findings

No Audit Findings.

**STATE OF NEW MEXICO
City of Socorro
Exit Conference
June 30, 2019**

Exit Conference

An exit conference was held on October 3, 2019. In attendance were the following:

Representing the City of Socorro:

Peter Romero	City Councilor
Donald Monette	City Administrator
Ruby Lopez	Finance Director
Stephanie Saavedra	City Clerk
Lena Chavez	General Ledger Clerk
Jordan Martinez	General Services Director
Kristen Padilla	Payroll

Representing Southwest Accounting Solutions, LLC

Robert Peixotto, CPA Managing Member

Auditor Prepared Financial Statements

Southwest Accounting Solutions, LLC prepared the GAAP-basis financial statements and footnotes of the City of Socorro from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.