



STATE OF NEW MEXICO

City of Socorro

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

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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, 2022**

CITY COUNCIL

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

ADMINISTRATIVE OFFICIALS

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

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FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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 of the general fund of the City Socorro, New Mexico (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 of the general fund of the City, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Key Audit Matters

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Long-term Debt in Note 8 to the financial statements due to business type activities recognizing total long-term debt of \$13,086,381 and having pledged revenues in fiscal year 2023 in the amount of \$757,489 and total future pledged revenues of \$14,045,807 through fiscal year 2062. Future net operating revenues of the Joint Utility are used to service these liabilities.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Schedule VII), the combining and individual non-major fund financial statements (Statement A-1 and Statement A-2) and the Supporting Schedules V and VI required by Section 2.2.2 NMAC is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards (Schedule VII), the combining and individual non-major fund financial statements (Statement A-1 and Statement A-2) and the Supporting Schedules V and VI are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2022 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

Albuquerque, New Mexico
October 19, 2022

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Socorro
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,122,275	\$ 3,948,702	\$ 10,070,977
Restricted cash	214,375	397,162	611,537
Other receivables, net	812,927	202,920	1,015,847
Taxes receivable	1,254,760	-	1,254,760
Customer receivables, net	-	1,385,129	1,385,129
Inventory	16,936	112,907	129,843
Total current assets	8,421,273	6,046,820	14,468,093
Noncurrent assets			
Real estate contract receivable	385,964	-	385,964
Rent receivable	309,087	-	309,087
Customer deposits	-	30	30
Capital assets	42,769,774	50,973,937	93,743,711
Less: Accumulated depreciation	(21,255,029)	(26,311,619)	(47,566,648)
Total noncurrent assets	22,209,796	24,662,348	46,872,144
Deferred outflows of resources			
Deferred outflows from pension	860,000	318,082	1,178,082
Deferred outflows from OPEB	715,146	264,506	979,652
Total deferred outflows	1,575,146	582,588	2,157,734
Total assets, and deferred outflows of resources	\$ 32,206,215	\$ 31,291,756	\$ 63,497,971

See Independent Auditors' Report and Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 326,737	\$ 778,988	\$ 1,105,725
Accrued salaries and benefits	54,473	-	54,473
Accrued interest	11,176	27,174	38,350
Loans and bonds payable	176,153	583,207	759,360
Compensated absences	146,686	89,778	236,464
Total current liabilities	715,225	1,479,147	2,194,372
Noncurrent liabilities			
Customer deposits	-	37,170	37,170
Loans and bonds payable	2,536,325	12,503,174	15,039,499
Compensated absences	72,078	68,071	140,149
Landfill closure liability	-	1,724,140	1,724,140
Net pension liability	6,004,452	2,220,825	8,225,277
Net OPEB liability	2,416,127	893,636	3,309,763
Total noncurrent liabilities	11,028,982	17,447,016	28,475,998
Total liabilities	11,744,207	18,926,163	30,670,370
Deferred inflows of resources			
Deferred inflows - rent	309,087	-	309,087
Deferred inflows from pension	2,094,401	774,642	2,869,043
Deferred inflows from OPEB	1,617,990	598,434	2,216,424
Total deferred inflows	4,021,478	1,373,076	5,394,554
Net position			
Net investment in capital assets	18,802,267	11,575,937	30,378,204
Restricted for:			
Debt Service	214,023	388,762	602,785
Capital projects	473,482	8,400	481,882
Special Revenue	277,216	-	277,216
Unrestricted	(3,326,458)	(980,582)	(4,307,040)
Total net position	16,440,530	10,992,517	27,433,047
Total liabilities, deferred inflows of resources, and net position	\$ 32,206,215	\$ 31,291,756	\$ 63,497,971

STATE OF NEW MEXICO
City of Socorro
Statement of Activities
For the Year Ended June 30, 2022

<u>Functions and Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 3,075,353	\$ 1,114,981	\$ 1,794,796	\$ -
Public safety	3,807,529	301,486	137,303	223,023
Public works	1,129,239	-	-	3,501,727
Culture and recreation	1,795,460	281,764	-	-
Health and welfare	172,307	-	-	-
Interest on long-term debt	63,154	-	-	-
Total governmental Activities	10,043,042	1,698,231	1,932,099	3,724,750
Business-type activities				
Joint utility	9,262,853	9,149,404	2,311,919	-
Total business-type activities	9,262,853	9,149,404	2,311,919	-
Total primary government	\$ 19,305,895	\$ 10,847,635	\$ 4,244,018	\$ 3,724,750
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 - ending				

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Government Activities	Business- Type Activities	Total
\$ (165,576)	\$ -	\$ (165,576)
(3,145,717)	-	(3,145,717)
2,372,488	-	2,372,488
(1,513,696)	-	(1,513,696)
(172,307)	-	(172,307)
(63,154)	-	(63,154)
(2,687,962)	-	(2,687,962)
-	2,198,470	2,198,470
-	2,198,470	2,198,470
\$ (2,687,962)	\$ 2,198,470	\$ (489,492)
684,125	-	684,125
6,202,529	119,370	6,321,899
113,056	-	113,056
130,419	-	130,419
440,041	-	440,041
149,169	-	149,169
26,680	3,168	29,848
434,655	83,996	518,651
(53,825)	53,825	-
8,126,849	260,359	8,387,208
5,438,887	2,458,829	7,897,716
11,001,643	8,533,688	19,535,331
\$ 16,440,530	\$ 10,992,517	\$ 27,433,047

**State of New Mexico
City of Socorro
Balance Sheet
Governmental Funds
June 30, 2022**

		Capital Project Funds		
	General Fund # 101	Street Improvements # 309	Capital Projects # 311	Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,679,969	\$ 208,112	\$ 149	\$ 234,045
Restricted cash	-	67	-	214,308
Other Receivables	331,082	-	\$ 237,548	244,297
Property taxes receivable	128,879	-	-	-
Gross receipt taxes receivable	1,053,404	-	-	-
Lodgers taxes receivables	-	-	-	72,477
Inventory	16,936	-	-	-
Real estate contract receivable	385,964	-	-	-
Rent receivable	309,087	-	-	-
Total assets	\$ 7,905,321	\$ 208,179	\$ 237,697	\$ 765,127
Liabilities, deferred inflows of resources and fund balance				
Liabilities				
Accounts payable	\$ 72,598	-	216,910	\$ 37,229
Accrued salaries and benefits	54,473	-	-	-
Total liabilities	127,071	-	216,910	37,229
Deferred inflows of resources				
Deferred inflows - property taxes	95,892	-	-	-
Deferred inflows - ambulance services	185,712	-	-	-
Deferred inflows - real estate contract	385,964	-	-	-
Deferred inflows - rent	309,087	-	-	-
Total deferred inflows	976,655	-	-	-
Total liabilities and deferred inflows of resources	1,103,726	-	216,910	37,229
Fund balance				
Spendable				
Restricted for:				
Public safety	-	-	-	49,268
Culture and recreation	-	-	-	227,948
Debt service expenditures	-	-	-	214,023
Capital projects	-	208,179	20,787	244,516
Committed to:				
Minimum fund balance	669,810	-	-	-
Unassigned	6,131,785	-	-	(7,857)
Total fund balance	6,801,595	208,179	20,787	727,898
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,905,321	\$ 208,179	\$ 237,697	\$ 765,127

See Independent Auditors' Report and Notes to Financial Statements

Total Governmental Funds	
<hr/>	
\$	6,122,275
	214,375
	812,927
	128,879
	1,053,404
	72,477
	16,936
	385,964
	309,087
<hr/>	
\$	9,116,324
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\$	326,737
	54,473
<hr/>	
	381,210
<hr/>	
	95,892
	185,712
	385,964
	309,087
<hr/>	
	976,655
<hr/>	
	1,357,865
<hr/>	
	49,268
	227,948
	214,023
	473,482
	669,810
	6,123,928
<hr/>	
	7,758,459
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\$	9,116,324
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STATE OF NEW MEXICO
City of Socorro
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2022

Exhibit B-1
Page 2 of 2

Total fund balance governmental funds	\$ 7,758,459
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	42,769,774
Less: Accumulated depreciation	(21,255,029)
Delinquent property taxes, ambulance receivables 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	95,892
Delinquent ambulance receivables	185,712
Real estate contract receivable	385,964
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:	
Accrued interest	(11,176)
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	860,000
Deferred inflows from pension	(2,094,401)
Deferred outflows from OPEB	715,146
Deferred inflows from OPEB	(1,617,990)
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	(218,764)
Loans payable	(2,712,478)
Net pension liability	(6,004,452)
Net OPEB liability	(2,416,127)
Total net position governmental activities	\$ 16,440,530

STATE OF NEW MEXICO
City of Socorro
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Capital Project Funds			
	General Fund	Street Improvements	Capital Projects	Non-Major Governmental Funds
	# 101	# 309	# 311	
Revenues				
Property taxes	\$ 664,037	\$ -	\$ -	\$ -
Gross receipt taxes	6,170,639	-	-	31,890
Gas taxes	-	-	-	113,056
Franchise taxes	130,419	-	-	-
Lodger's taxes	-	-	-	440,041
State operating grants	761,205	-	-	76,990
State capital grants	303,850	2,028,068	784,384	480,169
Federal operating grants	1,033,591	-	-	60,313
Federal capital grants	-	-	-	128,279
Charges for services	1,416,467	-	-	281,764
Licenses and fees	135,449	-	-	13,720
Interest income	24,067	335	-	2,278
Miscellaneous income	412,787	-	-	15,315
Total revenue	11,052,511	2,028,403	784,384	1,643,815
Expenditures				
Current:				
General government	2,793,239	-	-	-
Public safety	3,154,838	-	-	303,411
Public works	490,048	336	35,702	499,563
Culture and recreation	955,655	-	-	675,100
Health and welfare	156,501	-	-	-
Capital outlay	487,441	2,221,427	717,918	783,086
Debt service:				
Principal	-	-	-	205,528
Interest	-	-	-	62,650
Total expenditures	8,037,722	2,221,763	753,620	2,529,338
Excess (deficiency) of revenues over expenditures	3,014,789	(193,360)	30,764	(885,523)
Other financing sources (uses)				
Transfers in	-	-	291,000	864,050
Transfers out	(1,208,875)	-	-	-
Loan proceeds	-	-	-	150,000
Total other financing sources (uses)	(1,208,875)	-	291,000	1,014,050
Net change in fund balance	1,805,914	(193,360)	321,764	128,527
Fund balance - beginning of year	4,995,681	401,539	(300,977)	599,371
Fund balance - end of year	\$ 6,801,595	\$ 208,179	\$ 20,787	\$ 727,898

See Independent Auditors' Report and Notes to Financial Statements

Total Governmental Funds	
<hr/>	
\$	664,037
	6,202,529
	113,056
	130,419
	440,041
	838,195
	3,596,471
	1,093,904
	128,279
	1,698,231
	149,169
	26,680
	428,102
	<hr/>
	15,509,113
	<hr/>
	2,793,239
	3,458,249
	1,025,649
	1,630,755
	156,501
	4,209,872
	205,528
	62,650
	<hr/>
	13,542,443
	<hr/>
	1,966,670
	<hr/>
	1,155,050
	(1,208,875)
	150,000
	<hr/>
	96,175
	<hr/>
	2,062,845
	5,695,614
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\$	7,758,459
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**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022**

Net Change in Fund Balance - Governmental Funds \$ 2,062,845

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	4,209,872
Depreciation expense	(1,297,037)

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	(20,237)
Change in OPEB liability	415,618

In governmental funds, delinquent property taxes, ambulance receivables and
real estate contract receivable collected after sixty days of 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	20,088
Increase in deferred ambulance receivables	16,879
Decrease in real estate contract receivable	(10,326)

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:

Decrease in accrued compensated absences	(13,839)
Increase in accrued interest expense	(504)

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	205,528
Net proceeds from debt issuance	(150,000)

Change in Net Position of Governmental Activities	\$ 5,438,887
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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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
				Final to actual
Revenues				
Taxes:				
Property taxes	\$ 496,710	\$ 526,562	\$ 661,156	\$ 134,594
Gross receipts taxes	4,557,141	4,831,025	6,065,874	1,234,849
Franchise tax	108,504	115,025	144,426	29,401
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	776,511	823,180	1,033,591	210,411
Federal capital grants	-	-	-	-
State operating grants	571,875	606,244	761,205	154,961
State capital grants	228,275	241,994	303,850	61,856
Charges for services	1,140,120	1,208,642	1,517,580	308,938
Licenses and fees	101,759	107,875	135,449	27,574
Interest income (loss)	3,259	3,455	4,338	883
Miscellaneous	231,076	244,963	307,578	62,615
Total revenue	<u>8,215,230</u>	<u>8,708,965</u>	<u>10,935,047</u>	<u>2,226,082</u>
Expenditures				
Current				
General government	2,919,990	3,106,081	2,869,138	236,943
Public safety	3,210,754	3,415,375	3,154,838	260,537
Public works	498,734	530,518	490,048	40,470
Culture and recreation	972,593	1,034,576	955,655	78,921
Health and welfare	163,421	173,836	160,575	13,261
Capital outlay	470,608	500,599	462,412	38,187
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>8,236,100</u>	<u>8,760,985</u>	<u>8,092,666</u>	<u>668,319</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (20,870)</u>	<u>\$ (52,020)</u>	<u>\$ 2,842,381</u>	<u>\$ 2,894,401</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	20,870	52,020		
Transfers in	-	-	-	-
Transfers out	(706,375)	(1,075,875)	(1,125,050)	(49,175)
Total other financing sources (uses)	<u>(706,375)</u>	<u>(1,075,875)</u>	<u>(1,125,050)</u>	<u>(49,175)</u>
Net Change in fund balance	(727,245)	(1,127,895)	\$ 1,717,331	
Fund balance - beginning of year			4,995,681	
Fund balance - end of year			<u>\$ 6,713,012</u>	
Net change in fund balance (non-GAAP budgetary basis)			1,717,331	
Adjustments to revenue for decrease in receivables			117,464	
Adjustment to expenditures for increase in liabilities			(28,881)	
Net Change in fund balance (GAAP basis)			<u>\$ 1,805,914</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, 2022

Exhibit D-1

	Joint Utility # 501
Assets	
Cash and cash equivalents	\$ 3,911,562
Restricted cash and cash equivalents	397,162
Other receivables	202,920
Accounts receivable, net	1,385,129
Inventory	112,907
Total current assets	6,009,680
Noncurrent assets	
Customer deposits	37,170
Capital Assets	50,973,937
Less: Accumulated depreciation	(26,311,619)
Total noncurrent assets	24,699,488
Deferred outflows of resources	
Deferred outflows from pension	318,082
Deferred outflows from OPEB	264,506
Total deferred outflows of resources	582,588
Total assets, and deferred outflows of resources	\$ 31,291,756
Liabilities, deferred inflows and net position	
Liabilities	
Accounts payable	\$ 778,988
Accrued interest	27,174
Notes and bonds payable	583,207
Compensated absences	89,778
Total current liabilities	1,479,147
Noncurrent liabilities	
Customer deposits	37,170
Notes and bonds payable	12,503,174
Compensated absences	68,071
Landfill closure liability	1,724,140
Net pension liability	2,220,825
Net OPEB liability	893,636
Total noncurrent liabilities	17,447,016
Total Liabilities	18,926,163
Deferred inflows of resources	
Deferred inflows from pension	774,642
Deferred inflows from OPEB	598,434
Total deferred inflows of resources	1,373,076
Net position	
Net investment in capital asset	11,575,937
Restricted for:	
Debt service	388,762
Capital projects	8,400
Unrestricted	(980,582)
Total net position	10,992,517
Total liabilities, deferred inflows of resources and net position	\$ 31,291,756

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Socorro
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

Exhibit D-2

	Joint Utility # 501
Operating revenues:	
Charges for services	\$ 9,149,404
Total operating revenues	<u>9,149,404</u>
Operating expenses:	
Depreciation and amortization	1,158,795
COGS (Gas)	1,833,630
Personnel services	2,409,572
Contractual services	158,485
Supplies	100,996
Maintenance and Materials	1,313,170
Utilities	923,766
Insurance	353,716
Payment in lieu of taxes	329,882
Landfill Closure Expense	155,595
Miscellaneous	199,202
Total operating expense	<u>8,936,809</u>
Operating income (loss)	<u>212,595</u>
Non-operating revenues (expense):	
Gross receipts taxes	119,370
Interest income	3,168
Interest expense	(326,044)
Miscellaneous income (expense)	83,996
Total non-operating revenues (expense)	<u>(119,510)</u>
Income (loss) before contributions and transfers	<u>93,085</u>
Transfers in	83,825
Transfers out	(30,000)
State and federal capital grants	2,311,919
Total contributions and transfers	<u>2,365,744</u>
Change in Net Position	2,458,829
Net Position, beginning of year	<u>8,533,688</u>
Net Position - end of the year	<u><u>\$ 10,992,517</u></u>

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, 2022

Exhibit D-3

	Joint Utility # 501
Cash flow from operating activities	
Cash received from customers	\$ 9,172,087
Cash payments to employees for services	(2,548,846)
Cash payments to suppliers for goods and services	(5,835,803)
Net cash provided from operating activities	\$ 787,438
Cash flow from noncapital financing activities	
Miscellaneous	\$ 83,996
Gross Receipts tax	119,370
Transfers	53,825
Net cash flows provided (used) by noncapital financing activities	\$ 257,191
Cash flows from capital and related financing activities	
Interest paid	\$ (328,536)
Principal payments	(6,797,383)
Debt proceeds	11,046,770
Acquisition of capital assets	(6,544,570)
Governmental capital contributions	2,108,999
Net cash provided (used) by capital and related financing activities	\$ (514,720)
Cash flows from investing activities	
Interest income	\$ 3,168
Net cash provided by investing activities	\$ 3,168
Net increase (decrease) in cash and cash equivalents	\$ 533,077
Cash & cash equivalents - beginning of year	3,812,817
Cash & cash equivalents - end of year	\$ 4,345,894
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 212,595
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	1,158,795
Employer pension and OPEB expense	(146,236)
Changes in assets & liabilities:	
Receivables	30,288
Inventory	(6,499)
Accounts payable	(616,457)
Compensated absences	6,962
Customer deposits	(7,605)
Net change in landfill liability	155,595
Net cash provided (used) by operating activities	\$ 787,438

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, 2022

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 (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, 2022

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, 2022

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, 2022

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.

Street Improvements Capital Projects Fund 309 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.

Capital Projects Fund 311 accounts for capital grants and related capital expenditures to City property and equipment.

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.

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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1. Summary of Significant Accounting Policies (continued)

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, 2022 the City had no prepaid expenses.

Inventory: Inventories in governmental funds consist of expendable supplies held for consumption and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

Lease Receivables – GASB 87: The City recognize a lease receivable and a deferred inflow of resources at the commencement of all lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The City did not derecognize the asset underlying the lease. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City recognized interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 is included as part of the capitalized value of the assets constructed. The City implemented GASB 89 and interest cost incurred before the end of a construction period was recognized as an expense in the period in which the cost is incurred.

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, 2022, 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, 2022

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, real estate contract receivable and rent receivables. These amounts are deferred and recognized as 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. 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 and deferred inflows 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 is forfeited. A maximum of 120 hours of annual vacation leave may be carried forward at the end of a calendar year. 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:

<u>Service</u>	<u>Accumulation</u>
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, 2022

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.

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, 2022, the City has presented restricted and committed fund balance on the governmental funds balance sheet in the amount of \$1,585,263 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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 \$669,810 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 'measurable' 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, 2022

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, 2022 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, 2022.

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.

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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 3. Deposits and Investments (continued)

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

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

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

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.

At June 30, 2022, \$8,783,659 of the City's bank balance of \$9,131,566 was exposed to custodial credit risk, \$5,648,820 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 \$3,098,839 was uninsured and uncollateralized at June 30, 2022.

	First State Bank	Washington Federal	Total
Deposits	\$ 9,033,659	\$ 97,907	\$ 9,131,566
Less: FDIC Coverage	(250,000)	(97,907)	(347,907)
Total uninsured public funds	<u>\$ 8,783,659</u>	<u>\$ -</u>	<u>\$ 8,783,659</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	5,684,820	-	5,684,820
Uninsured and uncollateralized	<u>\$ 3,098,839</u>	<u>\$ -</u>	<u>\$ 3,098,839</u>
Collateral requirements (50% of uninsured funds)	\$ 4,391,830	\$ -	\$ 4,391,830
Pledged Collateral	5,684,820	-	5,684,820
Over (under) collateralized	<u>\$ 1,292,990</u>	<u>\$ -</u>	<u>\$ 1,292,990</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 3. Deposits and Investments (continued)

As of June 30, 2022 the City held investments in the Local Government Investment Pool (LGIP) at a market value of \$1,755,390 and a cost basis of \$1,737,390.

According to GASB Statement 40, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov.

As of June 30, 2022, the LGIP maturities are WAM (R) at 49 days and the WAM (F) at 89 days.

New Mexico Local Government Investment Pool (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(1) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Custodial Credit Risk Investments - For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are that are in the possession of an outside party. The City's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Credit Risk --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.

Foreign Currency Risk --GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 3. Deposits and Investments (continued)

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All of the City's investments in New Mexico LGIP of \$1,755,390 are measured through level 1 input.

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	\$ 10,070,977
Restricted cash and cash equivalents per Exhibit A-1	611,537
Customer Deposits	<u>30</u>
Total cash and cash equivalents	<u>\$ 10,682,544</u>
Add: Outstanding checks	\$ 819,259
Less: Outstanding deposits	(39,655)
Less: Petty cash	(900)
Less: LGIP Investments	(1,755,390)
Less: Cash held at the NMFA	<u>(574,292)</u>
Bank balance of deposits	<u><u>\$ 9,131,566</u></u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 4. Accounts and Taxes Receivable

Receivables as of June 30, 2022 are as follows:

	Governmental Funds	Proprietary Funds	Total
Taxes Recieveable:			
Property taxes	\$ 128,879	\$ -	\$ 128,879
Gross receipts taxes	1,053,404	-	1,053,404
Franchise taxes	16,050	-	16,050
Gasoline taxes	15,442	-	15,442
Lodgers taxes	72,477	-	72,477
Other receivables:			
State and federal grants	527,742	202,920	730,662
Real estate contract receivable	385,964	-	385,964
Rent recieveable	309,087	-	309,087
Total	\$ 2,509,045	\$ 202,920	\$ 2,711,965
Customer Receivables:			
Ambulance receivables (net)	253,693	\$ -	\$ 253,693
Customer receivables (net)	-	1,385,129	1,385,129
Net Customer Accounts Receivables	\$ 253,693	\$ 1,385,129	\$ 1,638,822
Total receivables, net	\$ 2,762,738	\$ 1,588,049	\$ 4,350,787

Governmental receivables are deemed 100% collectible. Ambulance receivables accrued an allowance for doubtful accounts of \$758,686 and proprietary funds accrued an allowance for doubtful accounts for customer receivables of \$200,000. In accordance with GASB 33, property tax revenue receivables not collected within the period of availability was determined to be \$95,892 and ambulance receivables not collected within the period of availability was determined to be \$185,712 and are reclassified as deferred inflow of resources in the governmental fund financial statements.

The City carries three real estate contracts receivable as of June 30, 2022, totaling \$385,964. The City recognized interest income of \$11,946 and principal payments of \$10,326 for the year ended June 30, 2022, related to these contracts. Governmental fund financial statements reported a deferred inflow of resources of \$385,964, due to revenues in the governmental financial statements being recognized as soon as they are available to pay liabilities of the current period.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 5. GASB 87, Lease Receivables and Deferred Inflows of Resources

During fiscal year ending June 30, 2020 the City elected to implement GASB 87 early for leases. The City has one lease outstanding during the year the qualified as lease receivable and deferred inflows of resources under the definition of GASB 87. The City recognized a lease receivable and a deferred inflow of resources to account for property the City leases to other entities. The City measured the deferred inflow of resources at the initial value of the lease receivable, plus the amount of any payments received at or before the commencement of the lease term that relate to future periods (for example, the final month's rent). The City subsequently recognizes the deferred inflow of resources as revenue, if available, in a systematic and rational manner over the term of the lease.

The City had the following lease activity other than short term leases during the fiscal year ending June 30, 2022:

On January 1, 1983 the City leased property to Southwest Community Health Services for a term of 99 years. The lease is for \$10,000 per year and will continue until January 1, 2082. The City recognized \$2,217 as a reduction of the lease receivable and \$7,783 in interest income related to this lease agreement during the fiscal year ending June 30, 2022 in the general fund. The City uses a discount rate of 2.5% to discount the future revenues to the present value resulting a lease receivable and deferred inflows of resources in the amount of \$309,087.

NOTE 6. Transfers and Interfund Balances

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, 2022 were as follows:

Transfer In	Transfer Out	Amount
Municipal Streets	General Fund	\$ 491,731
Recreation	General Fund	248,319
Rodeo Arena	General Fund	55,500
Recreation	General Fund	10,000
Rodeo Capital Projects	General Fund	291,000
CDBG	General Fund	28,500
Joint Utility	General Fund	83,825
Municipal Street	Joint Utility	30,000
		<u>\$ 1,238,875</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2022 follows (land and construction in progress is not subject to depreciation):

Governmental Activities

	Balance June 30, 2021	Additions	Deletions	CIP Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 308,224	\$ -	\$ -	\$ -	\$ 308,224
Construction in progress (CIP)	4,239,473	3,344,122	-	(7,129,854)	453,741
Total capital assets, not depreciated	<u>4,547,697</u>	<u>3,344,122</u>	<u>-</u>	<u>(7,129,854)</u>	<u>761,965</u>
Capital assets depreciated:					
Buildings	15,548,829	54,255	-	2,263,944	17,867,028
Equipment	4,453,813	790,827	(70,900)	549,788	5,723,528
Infrastructure	14,080,463	20,668	-	4,316,122	18,417,253
Total capital assets, depreciated	<u>34,083,105</u>	<u>865,750</u>	<u>(70,900)</u>	<u>7,129,854</u>	<u>42,007,809</u>
Total capital assets	<u>38,630,802</u>	<u>4,209,872</u>	<u>(70,900)</u>	<u>-</u>	<u>42,769,774</u>
Less accumulated depreciation:					
Buildings	9,499,864	533,538	-	-	10,033,402
Equipment	3,472,518	214,583	(70,900)	-	3,616,201
Infrastructure	7,056,510	548,916	-	-	7,605,426
Total accumulated depreciation	<u>20,028,892</u>	<u>1,297,037</u>	<u>(70,900)</u>	<u>-</u>	<u>21,255,029</u>
Capital Assets, Net	<u>\$ 18,601,910</u>				<u>\$ 21,514,745</u>

Depreciation expense was charged to the following Governmental Activities:

Governmental Activities:	
General Government	\$ 399,688
Public Safety	494,846
Public Works	146,762
Culture and Recreation	233,347
Health and welfare	22,394
	<u>\$ 1,297,037</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 7. Capital Assets (continued)

Business Type Activities

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not depreciated:				
Land	\$ 331,556	\$ -	\$ -	\$ 331,556
Construction in progress (CIP)	5,241,204	6,125,686	(80,974)	11,285,916
Total capital assets not depreciated	<u>5,572,760</u>	<u>6,125,686</u>	<u>(80,974)</u>	<u>11,617,472</u>
Capital asset depreciated:				
Buildings	24,549,057	-	-	24,549,057
Equipment	5,529,150	299,879	80,974	5,910,003
Plant and Infrastructure	8,778,400	119,005	-	8,897,405
Total capital assets, depreciated	<u>38,856,607</u>	<u>418,884</u>	<u>80,974</u>	<u>39,356,465</u>
Total capital assets	<u>44,429,367</u>	<u>6,544,570</u>	<u>-</u>	<u>50,973,937</u>
Less accumulated depreciation:				
Buildings	15,822,166	635,480	-	16,457,646
Equipment	4,397,152	210,930	-	4,608,082
Plant and Infrastructure	4,933,506	312,385	-	5,245,891
Total accumulated depreciation	<u>25,152,824</u>	<u>1,158,795</u>	<u>-</u>	<u>26,311,619</u>
Capital Assets, Net	<u>\$ 19,276,543</u>			<u>\$ 24,662,318</u>

NOTE 8. Long-term Debt

Governmental Activities:

During the year ended June 30, 2022, the following changes occurred in the long-term debt reported in the Government-Wide Statement of Net Position:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
NMFA loans	\$ 2,768,006	\$ -	\$ (175,223)	\$ 2,592,783	\$ 147,596
Capital leases	-	150,000	(30,305)	119,695	28,557
Total Loans Payable	<u>\$ 2,768,006</u>	<u>\$ 150,000</u>	<u>\$ (205,528)</u>	<u>\$ 2,712,478</u>	<u>\$ 176,153</u>
Compensated Absences	\$ 204,925	\$ 160,525	\$ (146,686)	\$ 218,764	\$ 146,686
Total Long Term Debt	<u>\$ 2,972,931</u>	<u>\$ 310,525</u>	<u>\$ (352,214)</u>	<u>\$ 2,931,242</u>	<u>\$ 322,839</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Governmental Activities (continued)

The City had the following loans outstanding in governmental funds during fiscal year 2022:

Convention Center Improvements (NMFA PPRF-4936)

On September 13, 2019 the City obtained a loan from the New Mexico Finance Authority in the amount of \$1,061,094 and bears interest at a rate of 2.38%, with payments due May 1st and November 1st. The loan is for the purposes of improvements to the City's Convention Center. Revenues pledged to service this loan are Convention Center Fees imposed by the City pursuant to Section 5-14-1 through 5-14-15 NMSA 1978 and the Tax Ordinance for the use of rooms in lodging facilities. The revenues pledged total \$1,361,915 at June 30, 2022, which is 8.65% of Convention Center fees and Lodgers Taxes at their current rate. During the year ended June 30, 2022 the City recognized a total of \$53,995 in pledged revenues, and retired \$53,995 in loan principal and interest.

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. The revenues pledged total \$309,836 at June 30, 2022, which is 0.56% of gross receipt taxes at their current rate. During the year ended June 30, 2022 the City recognized a total of \$73,904 in pledged GRT revenues, and retired \$34,433 in loan principal and interest.

Rodeo Sports Facility (NMFA PPRF-2896)

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 payments due in May and November of each year, maturing on May 1, 2038. Revenues pledged to service this loan agreement are from the City's Lodgers Tax revenues pursuant to the Lodgers Tax Act, Section 3-38-12 through 3-38-34. NMSA 1978, as amended. Revenues pledged total \$1,281,022 at June 30, 2022, which is 20.21% of Lodger's Taxes at their current rate. During the year ended June 30, 2022 the City recognized a total of \$88,919 in pledged lodgers tax revenues, and retired \$88,919 in loan principal and interest.

Fire Truck (NMFA PPRF-3679)

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's Fire Department. The loan was finalized on June 9, 2017, with the City borrowing \$425,976. The note bears interest at 1%, with an annual principal and interest payments due in May of each year, maturing on May 1, 2027. The payments of this loan are secured by the State Fire Allotment. Revenues pledged to service this loan agreement are from the State Fire Protection Funds made periodically by the State Treasurer pursuant to Section 59A-53-7, NMSA 1978. The revenues pledged total \$292,483 at June 30, 2022, which is 26.12% of future state fire allotment at their current rate. During the year ended June 30, 2022 the City recognized a total of \$58,246 in pledged fire allotment revenues, and retired \$58,246 in loan principal and interest.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Governmental Activities (continued)

The annual requirements to amortize the above loans including interest payments as of June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 147,596	\$ 57,923	\$ 205,519
2024	150,294	55,225	205,519
2025	153,252	51,186	204,438
2026	156,545	49,618	206,163
2027	160,105	47,344	207,449
2028-2032	540,455	197,231	737,686
2033-2037	624,104	113,579	737,683
2038-2042	326,655	56,744	383,399
2043-2047	227,668	23,463	251,131
2048-2052	106,109	158	106,267
Total	<u>\$ 2,592,783</u>	<u>\$ 652,471</u>	<u>\$ 3,245,254</u>

Street Sweeper Capital Lease

On July 26, 2021 the City entered into a capital lease agreement to purchase a street sweeper. The loan is secured by the street sweeper and gas tax revenues are dedicated to the debt service requirements in fund 216 Municipal Streets. The capital lease bears interest at 3.125%, with an annual principal and interest payments due on January 18 of each year of \$32,297, maturing on January 18, 2022 with the asset title passing to the City. Total revenues dedicated to service this capital lease agreement as of June 30, 2022 equal \$129,189 which is 27.6% of gas tax revenues at their current rate. During Fiscal year 2022 the City recognized a total of \$32,297 in dedicated gas tax revenues, and retired \$32,297 in capital lease principal and interest.

The annual requirements to amortize the above capital lease including interest payments as of June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 28,557	\$ 3,740	\$ 32,297
2024	29,449	2,848	32,297
2025	30,370	1,928	32,298
2026	31,319	979	32,298
	<u>\$ 119,695</u>	<u>\$ 9,495</u>	<u>\$ 129,190</u>

A summary of the NMFA loans and capital lease outstanding in governmental activities at June 30, 2022 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2022	Current Portion
NMFA PPRF-4936 Convention Center Loan	13-Sep-19	1-May-49	2.38%	\$ 1,061,094	\$ 990,403	\$ 27,391
NMFA PPRF-4938 Road Improvements	28-Jun-19	1-May-39	2.00%	\$ 339,146	257,747	11,980
NMFA PPRF-2896 Rodeo Sports Facility	1-Jun-13	1-May-38	2.34%	\$ 1,495,751	1,057,526	52,974
NMFA PPRF-3679 Fire Truck	1-Jun-17	1-May-27	1.09%	\$ 425,976	287,107	55,251
Street Sweeper Capital Lease	26-Jul-21	18-Jan-26	3.13%	\$ 150,000	119,695	28,557
					<u>\$ 2,712,478</u>	<u>\$ 176,153</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. 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, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
NMFA loans	\$ 2,251,152	\$ -	\$ (435,234)	\$ 1,815,918	\$ 351,664
NMED loans	1,049,876	-	(72,127)	977,749	72,127
USDA bonds payable	1,617,400	6,424,000	(97,896)	7,943,504	145,648
Rural Community Assistance Co. LOC	3,854,614	4,622,770	(6,178,910)	2,298,474	-
Capital leases	63,952	-	(13,216)	50,736	13,768
Total bonds and loans payable	<u>\$ 8,836,994</u>	<u>\$ 11,046,770</u>	<u>\$ (6,797,383)</u>	<u>\$ 13,086,381</u>	<u>\$ 583,207</u>
Compensated Absences	\$ 150,887	\$ 96,740	\$ (89,778)	\$ 157,849	\$ 89,778
Landfill closure liability	1,568,545	155,595	-	1,724,140	-
Total	<u>\$ 141,160</u>	<u>\$ 252,335</u>	<u>\$ (89,778)</u>	<u>\$ 1,881,989</u>	<u>\$ 89,778</u>
Total Long Term Debt	<u>\$ 8,978,154</u>	<u>\$ 11,299,105</u>	<u>\$ (6,887,161)</u>	<u>\$ 14,968,370</u>	<u>\$ 672,985</u>

The Joint Utility had the following loans outstanding in the Joint Utility during fiscal year 2022:

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 a 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 Joint Utility of the City per City resolution No. 19-02-19b. The revenues pledged total \$84,921 at June 30, 2022, which is 47.14% of the Joint Utility's net revenues at their current rate. During the year ended June 30, 2021 the City recognized \$793,931 in pledged Joint Utility revenues, and retired \$100,223 in loan principal and interest.

Landfill Improvements (NMFA PPRF-2268)

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 interest rate of 3.588%. Principal and interest payments on the loan are due May 1st and November 1st, maturing on May 1, 2029. Revenues pledged for the payment of this loan are the net system revenues of the Joint Utility of the City per City Ordinance No. 9-3-16 adopted April 2, 2009. The revenues pledged total \$543,023 at June 30, 2022, which is 43.99% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,931 in pledged Joint Utility revenues, and retired \$93,517 in loan principal and interest.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

Drinking Water Replacement of Meter Readers (NMFA DW-2707)

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 \$18,589 are due annually in June, maturing in June of 2024. Revenues pledged for the payment of this loan are the net system revenues of the Joint Utility of the City per City Resolution No. 13-04-15 adopted April 15, 2013. The revenues pledged total \$37,177 at June 30, 2022, which is 8.74% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$18,589 in loan principal and interest.

Drinking Water System Improvement Project (NMFA DW-2866)

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. The Loan was finalized on June 28, 2012, with a maximum loan amount of \$484,000. The loan bears an interest rate of 0.25%, and matures in April of 2036. Revenues pledged for the payment of this loan are the net system revenues of the Joint Utility of the City per City Resolution No. 13-05-20a adopted May 20, 2013. The revenues pledged total \$348,401 at June 30, 2022, which is 11.70% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$24,882 in loan principal and interest.

Gas Valve Project (NMFA PPRF-3491)

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 0.25%. Principal and interest payments on the loan are due May 1st and November 15 maturing on May 1, 2031. Revenues pledged for the payment of this loan are the net system revenues of the Joint Utility of the City per City Resolution No. 16-07-20b adopted August 15, 2016. The revenues pledged total \$511,842 at June 30, 2022, which is 39.38% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$70,047 in loan principal and interest.

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 Joint Utility per City resolution No. 19-05-06a. The revenues pledged total \$62,142 at June 30, 2022, which is 17% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$26,000 in loan principal and interest.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

Water System Improvements (NMFA PPRF-5242)

The City entered into a loan agreement with the New Mexico Finance Authority for the purpose of making water system improvements. The loan was finalized on October 30, 2020 with the City borrowing \$250,000. The loan bears interest at 0.46% and payments of \$50,000 are due annually in May of each year, with the loan maturing in May of 2025. Revenues pledged for the payment of this loan are the net system revenues of the Joint Utility of the City per City Resolution No. 20-09-19 adopted September 14, 2020. The revenues pledged total \$200,000 at June 30, 2022, which is 23.73% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged revenues, and retired \$50,400 in loan principal and interest.

Water System Improvements (NMFA PPRF-5323)

The City entered into a loan agreement with the New Mexico Finance Authority for the purpose of making water system improvements to evergreen well. The loan was finalized on October 30, 2020 with the City borrowing \$150,000. The loan bears interest at 0.46% and payments of \$30,478 are due annually in May of each year, with the loan maturing in May of 2026. Revenues pledged for the payment of this loan are the net system revenues of the Joint Utility of the City per City Resolution No. 20-09-19 adopted September 14, 2020. The revenues pledged total \$121,676 at June 30, 2022, which will be 28.38% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$30,487 in loan principal and interest.

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, 2011 with the City borrowing \$75,075. The loan bears no interest and principal payments of \$3,757 are due annually in December, with the loan maturing in December 2029. Revenues pledged for the payment of this loan are the net revenues of the City's Joint Utility. The revenues pledged total \$26,276 at June 30, 2022, which is 1.77% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$3,754 in loan principal.

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 1, 2035. Revenues pledged for the payment of this loan are the net revenues of the City's Joint Utility. The revenues pledged total \$617,500 at June 30, 2022, which is 22.34% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$47,500 in loan principal.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

Clean Water State Revolving Fund (CWSRF 25)

The City entered into a loan agreement with the New Mexico Environment Department for the purpose construction of the wastewater facility improvements. The loan was finalized April 12, 2018 with the City borrowing \$417,635. The loan does not charge interest and principal payments on the loan are due February 27th of each year, maturing on February 27, 2038. Revenues pledged for the payment of this loan are the net revenues of the City's Joint Utility. The revenues pledged total \$333,973 at June 30, 2022, which is 9.82% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$20,873 in loan principal.

A summary of all the loans outstanding in the Joint Utility at June 30, 2022 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2022	Current Portion
NMFA PPRF-4883 Tractor Trailer Scraper	1-Mar-19	1-May-23	1.46%	\$ 327,244	\$ 83,986	\$ 83,986
NMFA PPRF-2268 Landfill Improvements	15-May-09	1-May-29	3.59%	1,093,740	461,292	58,452
NMFA DW-2707 Meter Readers	28-May-13	1-Jun-24	0.25%	185,130	37,038	18,492
NMFA DW-2866 Drinking Water System	1-Jun-14	1-Apr-36	0.25%	484,400	341,896	24,027
NMFA PPRF-3491 Gas Valve Project	1-Sep-16	1-May-31	0.1-2%	811,138	509,178	55,754
NMFA PPRF -4930 Dumpster Loan Agreement	14-Jun-19	1-May-24	1.00%	150,000	62,049	31,009
NMFA PPRF-5242 Water System Improvements	30-Oct-20	1-May-25	0.46%	250,000	200,000	50,000
NMFA PPRF-5323 Water System / Evergreen Well	30-Oct-20	1-May-26	0.46%	150,000	120,479	29,944
NMED - AARA CWSRF 14 Waste Water Plant Improvements	19-Dec-11	5-Apr-30	0.00%	75,075	26,276	3,754
NMED - CWSRF 22 Wastewater Collection System	6-May-15	1-Mar-35	0.00%	950,000	617,500	47,500
NMED - CWSRF 25 Clean Water State Revolving	12-Apr-18	27-Feb-38	0.00%	\$ 417,635	333,973	20,873
					<u>\$ 2,793,667</u>	<u>\$ 423,791</u>

The Annual requirements to amortize the above loans in the Joint Utility including interest payments as of June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 423,791	\$ 22,230	\$ 446,021
2024	342,961	18,707	361,668
2025	295,960	16,044	312,004
2026	298,770	13,235	312,005
2027	221,303	10,215	231,518
2028-2032	844,235	12,425	856,660
2033-2037	345,774	679	346,453
2038-2042	20,873	-	20,873
Total	<u>\$ 2,793,667</u>	<u>\$ 93,535</u>	<u>\$ 2,887,202</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

The Joint Utility had the following bonds outstanding during fiscal year 2022:

USDA 11A - Wastewater Revenue Bonds Series 2010

On February 19, 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 bonds bear interest at 2.625%. Principal and interest payments on the bonds are due annually on February 19th and the bonds mature 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 pursuant to City Bond Ordinance NO. 09-11-25. Revenues pledged total \$158,200 at June 30, 2022, which is 2.51% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$5,346 in loan principal and interest.

USDA 13 - Wastewater 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 pursuant to City Bond Ordinance NO. 11-01-18a. Revenues pledged total \$615,100 at June 30, 2022, which is 9.87% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$20,975 in loan principal and interest.

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 January 1, 2052. Revenues pledged for the payment of these bonds are the net system revenues of the Joint Utility System. The bonds were issued under and pursuant to City Bond Ordinance NO. 11-01-18F. Revenues pledged total \$1,529,750 at June 30, 2022, which is 21.99% of the net Joint Utility revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$46,750 in loan principal and interest.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

USDA Bond Series 2021 A

On November 4, 2021 the City Issued \$4,950,000 of revenue bonds to the USDA for the purpose of providing perinate funding for the construction of a Waste Water Reclamation Facility. The bonds bear interest at 1.75% and payment of approximately \$14,347 is due on the 4th day of each month and maturing on November 4, 2061. 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 Ordinance NO. 21-11-01. Revenues pledged total \$6,785,674 at June 30, 2022, which is 80.94% of the net Joint Utility revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$100,345 in loan principal and interest.

USDA Bonds Series 2021 B

On November 4, 2021 the City Issued \$1,474,000 of revenue bonds to the USDA for the purpose of providing perinate funding for the construction of a Waste Water Reclamation Facility. The bonds bear interest at 1.75% and payment of approximately \$4,272 is due on the 4th day of each month and maturing on November 4, 2061. 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 Ordinance NO. 21-11-01. Revenues pledged total \$2,020,730 at June 30, 2022, which is 24.12% of the net Joint Utility revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged Joint Utility revenues, and retired \$100,345 in loan principal and interest.

A summary of all the bonds outstanding in the Joint Utility at June 30, 2022 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2022	Current Portion
USDA - 11A JU System Improvement Bonds - Series 2011A	4-Aug-11	4-Aug-51	2.50%	\$ 515,000	\$ 105,900	\$ 2,600
USDA - 13 Arsenic Bonds - Series 2013A	10-Feb-10	19-Feb-50	2.63%	\$ 132,000	429,000	10,000
USDA - 16 W/W Revenue Bonds - Series 2010	18-Jan-13	1-Jan-52	2.50%	\$ 1,230,000	1,050,000	20,000
USDA Bond Series 2021A Revenue Bond	4-Nov-21	4-Nov-21	1.75%	\$ 4,950,000	4,899,740	87,109
USDA Bond Series 2021B Revenue Bond	4-Nov-21	4-Nov-21	1.75%	\$ 1,474,000	1,458,864	25,939
					<u>\$ 7,943,504</u>	<u>\$ 145,648</u>

The Annual requirements to amortize the above bonds in the Joint Utility including interest payments as of June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 145,648	\$ 150,228	\$ 295,876
2024	147,644	147,434	295,078
2025	149,773	144,604	294,377
2026	152,938	141,639	294,577
2027	155,140	138,637	293,777
2028-2032	862,446	645,439	1,507,885
2033-2037	931,938	558,497	1,490,435
2038-2042	1,026,165	464,471	1,490,636
2043-2047	1,137,415	359,021	1,496,436
2048-2052	1,236,320	243,566	1,479,886
2053-2057	1,049,461	129,176	1,178,637
2058-2062	948,616	37,838	986,454
	<u>\$ 7,943,504</u>	<u>\$ 3,160,550</u>	<u>\$ 11,104,054</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

Construction Loan

RCAC Construction Loan

On May 13, 2019 the City obtained a construction loan from Rural Community Assistance Corporation for the purpose of constructing and improving the Waste Water Collection System. The Maximum amount of credit extended to the City on this construction loan is \$4,950,000. During the fiscal year 2022 the City drew an additional \$1,475,664 related to capital improvements to the waste water collection system on this loan. At June 30, 2022 the City's total draws on this line of credit was \$2,298,474. This line of credit accrues interest at 5% compounded monthly. Once construction is complete the City will refinance these construction loans with the USDA for \$4,950,000 over a 40-year term. The City has pledged revenues from the waste water system to service this debt when construction is completed. Upon completion of construction total revenues pledged are estimated to be approximately \$9,204,409 at an interest rate of 3.5%. The Debt service for this loan if paid monthly at a term over 40 years and an interest rate of 3.5% will be \$19,175.85 per month or \$230,110.23 per year which will be approximately 108.24% of the Joint Utility revenues at their current rate. The City expects this project to be completed and refinanced with the USDA approximately in December of 2022.

The Joint Utility had the following capital lease agreements outstanding during fiscal year 2022:

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 six-yard dump body. The capital lease agreement bears interest at a rate of 4.4%. 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. Revenues pledged for the payment of this capital lease are the net system revenues of the Joint Utility System. Revenues pledged total \$54,551 at June 30, 2022, which is 7.33% of the Joint Utility net revenues at their current rate. During the year ended June 30, 2022 the City recognized \$793,713 in pledged joint Utility revenues, and retired \$15,592 in loan principal and interest.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

Capital Lease Agreement

A summary of the capital leases outstanding in the Joint Utility at June 30, 2022 are as follows:

Description	Date of Issue	Maturity	Interest Rate	Original Issue	Balance June 30, 2022	Current Portion
KS State Bank Dump Truck	3-Oct-18	26-Jan-26	4.40%	\$ 93,777	\$ 50,736	\$ 13,768
					<u>\$ 50,736</u>	<u>\$ 13,768</u>

The Annual requirements to amortize the above capital leases in the Joint Utility including interest payments as of June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 13,768	\$ 1,824	\$ 15,592
2024	14,343	1,249	15,592
2025	14,943	650	15,593
2026	7,682	92	7,774
Total	<u>\$ 50,736</u>	<u>\$ 3,815</u>	<u>\$ 54,551</u>

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. On February 2, 2022 the City performing post closure operations as they used the landfill up to that date, resulting the City's engineer modifying the estimated liability from the previous year's estimate of \$1,568,545 to \$1,724,140. The \$1,724,140 reported as landfill closure liability (includes estimated closure construction, post-closure maintenance, environmental monitoring, and phase I and phase II assessment) at June 30, 2022, 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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 9. Commitments

The City had the flowing commitments to complete projects under construction as of June 30, 2022:

Governmental Activiites / CIP	
Description	
Convention Center	\$ 100,000
Finley Gym Restoration	924,000
Bullock AVE	270,000
Roads	340,000
Sedillo Park Swimming Pool	45,000
Cuba Road	910,000
	<u>\$ 2,589,000</u>

Business-type Activiites / Joint Utility / CIP	
Description	
Waste Water Facility	\$ 1,454,266
Waste Water Lines	1,111,582.15
	<u>\$ 2,565,848</u>

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, 2022, there were no settlements that exceeded insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 11. Other Required Disclosures

Deficit fund balances of Individual funds as of June 30, 2022 were as follows:

- Recreation Fund 217: \$(5,473)
- Rodeo Arena Fund 249 \$(2,384)

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 12. 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 employers 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, 2021 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 fiscal year 2022 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2021.pdf.

The PERA coverage options that apply to the City are: Municipal General, Municipal Police, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$629,231 for the year ended June 30, 2022. 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, 2022

NOTE 12. 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 In effect during FY21						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per year		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%	17.24%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.7%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.80%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.80%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.30%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.70%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.70%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	19.20%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	19.20%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	19.20%	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%	17.30%	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, 2022

NOTE 12. 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, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2021, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2022.

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, 2021. Only employer contributions for the pay period end dates that fell within the period of July 1, 2020 to June 30, 2021 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2021 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, 2022, the City reported a liability of \$3,851,579 (with an allotment for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2022, the City's proportion was .3418 percent, which was slightly changed from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the City recognized PERA Fund Division Municipal General Pension expense of \$14,536. At June 30, 2022, 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	\$ 95,879	\$ 13,187
Changes of assumptions	1,266	-
Net difference between projected and actual earnings on pension plan investments	-	1,582,778
Changes in proportion and differences between City's contributions and proportionate share of contributions	28,472	144,139
City's contributions subsequent to the measurement date	330,733	-
Total	<u>\$ 456,350</u>	<u>\$ 1,740,104</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 12. Pension Plan- Public Employees Retirement Association (continued)

\$456,350 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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>
2023	\$ (351,254)
2024	(275,777)
2025	(337,996)
2026	(649,448)
Thereafter	-
Total	<u>\$ (1,614,475)</u>

For PERA Fund Division Municipal Police, at June 30, 2022, the City reported a liability of \$1,378,788 for its proportionate share of the net pension liability. At June 30, 2022, the City's proportion was .2666 percent, which was slightly changed from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the City recognized PERA Fund Division Municipal Police pension expense of \$6,675. At June 30, 2022, the City reported PERA Fund Division Municipal Police 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	\$ 104,239	\$ -
Changes of assumptions	537	-
Net difference between projected and actual earnings on pension plan investments	-	499,792
Changes in proportion and differences between City's contributions and proportionate share of contributions	3,227	114,567
City's contributions subsequent to the measurement date	151,869	-
Total	<u>\$ 259,872</u>	<u>\$ 614,359</u>

The City's contributions of \$151,869 are reported as deferred outflows of resources related to pensions, resulting in the City's contributions subsequent to the measurement date June 30, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2023	\$ (88,843)
2024	(108,488)
2025	(105,350)
2026	(203,821)
Thereafter	-
Total	<u>\$ (506,502)</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 12. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Division Municipal Fire, at June 30, 2022, the City reported a liability of \$2,994,910 for its proportionate share of the net pension liability. At June 30, 2022, the City's proportion was 0.4933 percent, which was slightly changed from its proportion measured as of June 30, 2021.

For the year ended June 30, 2021, the City recognized PERA Fund Division Municipal Fire pension expense of \$6,511. At June 30, 2022, the City reported PERA Fund Division Municipal Fire 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	\$ 44,871	\$ 4,157
Changes of assumptions	443	-
Net difference between projected and actual earnings on pension plan investments	-	437,272
Changes in proportion and differences between City's contributions and proportionate share of contributions	268,415	73,151
City's contributions subsequent to the measurement date	148,131	-
Total	<u>\$ 461,860</u>	<u>\$ 514,580</u>

\$148,131 reported as deferred outflows of resources related to pensions resulting in the City's contributions subsequent to the measurement date June 30, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2023	\$ 7,718
2024	(7,806)
2025	(22,021)
2026	(178,615)
Thereafter	-
Total	<u>\$ (200,724)</u>

Actuarial Assumptions: The total pension liability at June 30, 2022 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization Period	Solved for based on statutory rates
Retirement	Changes to current assumed rates of Retirement reduce expectations.
Disability	Lower rates for State police, Muni Male and Muni Police
Remaining Amortization Period	25 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%
Post Retirement increase	1.6% Compounded annually
Mortality assumption	RPH-2014 Blue Collar Mortality
Experience study dates	July 1, 2012 to June 30, 2020

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 12. Pension Plan- Public Employees Retirement Association (continued)

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	35.5%	5.90%
Risk Reduction	19.5%	1.00%
Credit Oriented	15.0%	4.20%
Real Assets	20.0%	6.00%
Multi Risk Allocation	10.0%	6.40%
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.

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	\$ 6,908,886	\$ 3,851,579	\$ 1,315,454
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	\$ 2,413,888	\$ 1,378,788	\$ 531,733
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	\$ 4,134,399	\$ 2,994,910	\$ 2,058,410

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 12. Pension Plan- Public Employees Retirement Association (continued)

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY21 PERA financial report. The report is available at:

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

Payables to pension plan: As of June 30, 2022, 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 FY21 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2021.pdf.

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2021 report is available at:

<https://www.nmpera.org/assets/uploads/downloads/6-30-2021-PERA-Valuation-Report-FINAL.pdf>

NOTE 13. 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.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 \$154,876 for the year ending June 30, 2022.

At June 30, 2022, the City reported a liability of \$3,309,763 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021. At June 30, 2022, the City's proportion was 0.10059 percent.

For the year ended June 30, 2022, the City recognized OPEB expense of \$(569,339). At June 30, 2022 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	\$ 48,393	\$ 527,838
Changes of assumptions	662,645	1,196,597
Net difference between projected and actual earnings on pension plan investments	-	94,872
Changes in proportion	113,738	397,117
City's contributions subsequent to the measurement date	154,876	-
Total	<u>\$ 979,652</u>	<u>\$ 2,216,424</u>

Deferred outflows of resources totaling \$154,876 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, 2023. Other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Amount
2022	\$ (577,694)
2023	(398,571)
2024	(237,439)
2025	(62,442)
2026	(115,502)
Total	<u>\$ (1,391,648)</u>

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal, level percent of pay
Asset valuation method	Market value of assets
Actuarial Cost:	Entry Age Cost Method
Inflation	2.3% for ERB; 2.5% for PERA
Projected payroll increase	3.25-13%
Investment rate of return	7.00 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.

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 are summarized as follows:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Core Fixed Income	20.0%	0.40%
US Equity-Large Cap	20.0%	76.60%
Non US Emerging	15.0%	9.20%
NON US Developed	12.0%	7.30%
Private Equity	10.0%	10.60%
Credit and Structured	10.0%	3.10%
Real Estate	5.0%	3.70%
Absolute Return	5.0%	2.50%
US Equity Small Cap	3.0%	6.60%
Total	100%	

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Discount Rate

The discount rate used to measure the total OPEB liability is 3.62% as of June 30, 2021. 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 Authority'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, 2052. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2052, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.16%) was applied. Thus, 3.62% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

RHC Fund Division Municipal Government	1% Decrease (2.62%)	Current Discount Rate (23.62%)	1% Increase (4.62%)
City's proportionate share of the net OPEB liability	\$ 4,158,640	\$ 3,309,763	\$ 2,649,430

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, 2021.

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 19, 2022 which is the date on which the financial statements were available to be issued.

NOTE 15. Restricted net position

The government-wide statement of net position reports restricted net position in governmental funds of \$964,721. For descriptions of the related enabling legislation for special revenue, capital projects, see page 34 and pages 82-85 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 \$397,162. This amount is restricted for capital projects and debt service for the Joint Utility.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 16. Related Party

As of June 30, 2022, 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	\$ 1,499
Bhasker Medical Clinic PC	Owned by the Mayor	\$ 3,600
Lukesh Caral Janitorial Services	Related to Accounts Payable Clerk	\$ 7,200
The Water / Ice Store, LLC	Owned by City Council Member	\$ 2,435
Trujillo Signs-T-Shirts	Owned by Rick Trujillo City Compliance Office	\$ 554
Hicks Paint and Body Shop	Owned My City Council Member Gordon Hicks	\$ 720

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, 2022.

STATE OF NEW MEXICO
City of Socorro
Notes to the Financial Statements
For the Year Ended June 30, 2022

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

Animal Shelter

Participants	County of Socorro City of Socorro
Responsible party	Socorro County and City of Socorro
Description	City of Socorro animal shelter agrees to accept and process stray animals brought in by Socorro County Sheriff's Department, or other county Staff dedicated to control stray animals.
Term of agreement	Perpetual
Amount of project	Unknown
City contributions	None
Audit responsibility	City of Socorro

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

City of Socorro

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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*

	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
		FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
MUNICIPAL GENERAL FUND									
City's proportion of the net pension liability (asset)		0.3418%	0.3403%	0.3389%	0.3852%	0.3886%	0.3889%	0.3903%	0.3941%
City's proportionate share of the net pension liability (asset)	\$	3,851,579	\$ 6,881,639	\$ 5,866,696	\$ 6,141,513	\$ 5,339,693	\$ 6,087,098	\$ 3,944,781	\$ 3,093,126
City's covered-employee payroll	\$	3,455,699	\$ 3,477,523	\$ 3,398,523	\$ 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		111.46%	197.89%	172.62%	190.43%	191.14%	209.52%	137.62%	113.96%
Plan fiduciary net position as a percentage of the total pension liability		77.25%	66.36%	70.52%	73.74%	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

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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*

	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
		FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
MUNICIPAL POLICE FUND									
City's proportion of the net pension liability (asset)		0.2666%	0.2725%	0.2998%	0.2975%	0.2948%	0.2998%	0.2965%	0.2999%
City's proportionate share of the net pension liability (asset)	\$	1,378,788	\$ 2,340,420	\$ 2,214,530	\$ 2,029,855	\$ 1,637,807	\$ 2,296,864	\$ 1,520,948	\$ 1,131,182
City's covered-employee payroll	\$	802,999	\$ 690,462	\$ 674,523	\$ 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		171.70%	338.96%	328.31%	320.90%	249.96%	363.68%	188.26%	150.77%
Plan fiduciary net position as a percentage of the total pension liability		77.25%	66.36%	70.52%	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
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	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
MUNICIPAL FIRE FUND		FY 2022	FY 2021	FY 2020	FY 2019	FY2018	FY 2017	FY 2016	FY 2015
City's proportion of the net pension liability (asset)		0.4933%	0.4382%	0.4614%	0.4606%	0.4617%	0.4721%	0.4655%	0.4568%
City's proportionate share of the net pension liability (asset)	\$	2,994,910	\$ 3,314,430	\$ 3,170,911	\$ 2,641,592	\$ 2,641,592	\$ 3,118,700	\$ 2,408,724	\$ 1,999,760
City's covered-employee payroll	\$	532,965	\$ 472,001	\$ 461,197	\$ 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		561.93%	702.21%	687.54%	669.19%	523.45%	689.70%	516.31%	415.69%
Plan fiduciary net position as a percentage of the total pension liability		77.25%	66.36%	70.52%	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
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	Measurement Date: June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
MUNICIPAL GENERAL FUND	FY 2022	FY 2021	FY 2020	FY 2019	FY2018	FY 2017	FY 2016	FY 2015
Contractually required contribution	\$ 330,019	\$ 332,103	\$ 324,600	\$ 308,002	\$ 311,000	\$ 326,000	\$ 590,000	\$ 638,000
Contributions in relation to the contractually required contribution	\$ 330,733	\$ 332,357	\$ 324,600	\$ 308,131	\$ 311,000	\$ 326,000	\$ 590,000	\$ 638,000
Contribution deficiency (excess)	\$ (714)	\$ (254)	\$ -	\$ (129)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 3,455,699	\$ 3,477,523	\$ 3,398,523	\$ 3,225,155	\$ 2,793,566	\$ 2,905,236	\$ 2,866,523	\$ 2,714,235
Contributions as a percentage of covered-employee payroll	9.57%	9.56%	9.55%	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

	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
MUNICIPAL POLICE FUND		FY 2022	FY 2021	FY 2020	FY 2019	FY2018	FY 2017	FY 2016	FY 2015
Contractually required contribution	\$	151,847	\$ 130,566	\$ 127,485	\$ 119,553	\$ 119,000	\$ 115,000	\$ 170,000	\$ 141,000
Contributions in relation to the contractually required contribution	\$	151,869	\$ 130,568	\$ 127,521	\$ 119,553	\$ 119,000	\$ 115,000	\$ 170,000	\$ 141,000
Contribution deficiency (excess)	\$	(22)	\$ (2)	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$	802,999	\$ 690,462	\$ 674,523	\$ 632,555	\$ 655,232	\$ 631,560	\$ 807,916	\$ 807,916
Contributions as a percentage of covered-employee payroll		18.91%	18.91%	18.91%	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

	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
MUNICIPAL FIRE FUND		FY 2022	FY 2021	FY 2020	FY 2019	FY2018	FY 2017	FY 2016	FY 2015
Contractually required contribution	\$	147,365	\$ 130,508	\$ 127,521	\$ 121,813	\$ 127,000	\$ 124,000	\$ 160,000	\$ 127,000
Contributions in relation to the contractually required contribution	\$	148,131	\$ 130,568	\$ 127,521	\$ 121,813	\$ 127,000	\$ 124,000	\$ 160,000	\$ 127,000
Contribution deficiency (excess)	\$	(766)	\$ (60)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$	532,965	\$ 472,001	\$ 461,197	\$ 458,233	\$ 504,651	\$ 452,185	\$ 466,525	\$ 481,072
Contributions as a percentage of covered-employee payroll		27.79%	27.66%	27.65%	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

	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CITY IN SUMMATION		FY 2022	FY 2021	FY 2020	FY 2019	FY2018
City's proportion of the net OPEB liability (asset)		0.1006%	0.0978%	0.1039%	0.1108%	0.1118%
City's proportionate share of the net OPEB liability	\$	3,309,763	\$ 4,105,272	\$ 3,369,490	\$ 4,791,017	\$ 5,065,051
City's covered-employee payroll	\$	4,655,232	\$ 4,612,353	\$ 4,403,381	\$ 3,029,368	\$ 4,665,944
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll		71.10%	89.01%	76.52%	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

	Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CITY IN SUMMATION		FY 2022	FY 2021	FY 2020	FY 2019	FY2018
Contractually required contribution	\$	154,876	\$ 145,289	\$ 140,908	\$ 90,881	\$ 139,978
Contributions in relation to the contractually required contribution	\$	154,876	\$ 145,295	\$ 141,526	\$ 90,887	\$ 94,094
City's covered-employee payroll	\$	4,655,232	\$ 4,612,353	\$ 4,403,381	\$ 3,029,368	\$ 4,665,944
Contributions as a percentage of covered-employee payroll		3.33%	3.15%	3.21%	3.00%	2.02%

* Outflows for 2020, 2021 and 2022 are accelerated in comparison with prior years

*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, 2022

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, 2021 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 2021 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, 2021 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, 2022

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.

Corrections 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 (EMS) 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.

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 (LEPF) - 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 lodger's 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.

The Municipal Street Fund – 216

To account for gas taxes collected and operating, maintenance and capital improvements of City Streets Pursuant to the County and Municipal Gasoline Tax act, NMSA 7-21-1.

STATE OF NEW MEXICO
City of Socorro
Nonmajor Governmental Fund Description
June 30, 2022

Special Revenue Funds (continued)

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.

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.

COVID 19 Fund – 219

To account for cares act funding received from the federal government related to COVID 19 relief. The fund was established per the grant agreement award number CARES-25002-CSO.

Juvenile Justice – 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. The Fund was established per City ordinance.

Convention Center Fund -250

To account for the design, construction, equipping, furnishing, landscaping, operation and maintenance of the convention center. Financing is provided by a fee charged to each lodger for each day a room is occupied within city limits. New Mexico legislature enacted the Convention Center Financing act during the 2003 legislature session and requires the tax to be used in this manner.

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.

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.

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STATE OF NEW MEXICO
City of Socorro
Nonmajor Governmental Fund Description
June 30, 2022

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, 2022

	Special Revenue				
	Sedillo Park Renovations # 107	Corrections # 201	EMS # 206	Fire Protection # 209	LEPF # 211
Assets					
Cash and cash equivalents	\$ 5,236	\$ -	\$ -	20,210	\$ 10,556
Restricted cash	-	-	-	285	-
Other Receivables	-	-	-	-	-
Lodgers taxes receivables	-	-	-	-	-
Total assets	\$ 5,236	\$ -	\$ -	\$ 20,495	\$ 10,556
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,446	\$ 8,220
Total liabilities	-	-	-	6,446	8,220
Fund balance					
Nonspendable					
Interfund Loans	-	-	-		
Spendable					
Restricted for:					
Public safety	-	-		14049	2336
Culture and recreation	5,236	-	-	-	-
Debt service expenditures	-	-	-	-	-
Capital projects	-	-	-	-	-
Committed to:					
Unassigned	-	-	-	-	-
Total fund balances	5,236	-	-	14,049	2,336
Total liabilities and fund balances	\$ 5,236	\$ -	\$ -	\$ 20,495	\$ 10,556

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue

Lodgers Tax # 214	Lodgers Tax Promotion # 215	Municipal Street # 216	Recreation # 217	Library # 218	Juvenile Justice # 241	Rodeo Arena # 249	Convention Center # 250
\$ 35,886	\$ 80,265	\$ -	\$ 150	\$ 669	\$ 25,792	\$ 196	39,424
-	32,017		-	-	-	-	12,936
-	-	15,442	-	-	-	-	
15,029	36,564		-	-	-	-	20,884
<u>\$ 50,915</u>	<u>\$ 148,846</u>	<u>\$ 15,442</u>	<u>\$ 150</u>	<u>\$ 669</u>	<u>\$ 25,792</u>	<u>\$ 196</u>	<u>\$ 73,244</u>
\$ 9	\$ 6,000	\$ 5,095	\$ 5,623	\$ -	3,256	\$ 2,580	\$ -
<u>9</u>	<u>6,000</u>	<u>5,095</u>	<u>5,623</u>	<u>-</u>	<u>3,256</u>	<u>2,580</u>	<u>-</u>
-	-	10,347	-	-	22,536	-	-
50,906	110,829	-	-	669	-	-	60,308
-	32,017	-	-	-	-	-	12,936
-	-	-	-	-	-	-	-
-	-	-	(5,473)	-	-	(2,384)	-
<u>50,906</u>	<u>142,846</u>	<u>10,347</u>	<u>(5,473)</u>	<u>669</u>	<u>22,536</u>	<u>(2,384)</u>	<u>73,244</u>
<u>\$ 50,915</u>	<u>\$ 148,846</u>	<u>\$ 15,442</u>	<u>\$ 150</u>	<u>\$ 669</u>	<u>\$ 25,792</u>	<u>\$ 196</u>	<u>\$ 73,244</u>

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STATE OF NEW MEXICO
City of Socorro
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

Statement A-1
Page 2 of 2

	Capital Projects		Debt Service	
	Airport Improvements # 304	CDBG # 315	Debt Service # 403	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,865	\$ 7,796	\$ -	\$ 234,045
Restricted cash	-	-	169,070	214,308
Other Receivables	-	228,855	-	244,297
Lodgers taxes receivables	-	-	-	72,477
Total assets	\$ 7,865	\$ 236,651	\$ 169,070	\$ 765,127
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 37,229
Total liabilities	-	-	-	37,229
Fund balance				
Nonspendable				
Interfund Loans				
Spendable				
Restricted for:				
Public safety	-	-	-	49,268
Culture and recreation	-	-	-	227,948
Debt service expenditures	-	-	169,070	214,023
Capital projects	7865	236,651	-	244,516
Committed to:				
Unassigned	-	-	-	(7,857)
Total fund balances	7,865	236,651	169,070	727,898
Total liabilities and fund balances	\$ 7,865	\$ 236,651	\$ 169,070	\$ 765,127

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
City of Socorro
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue				
	Sedillo Park Renovations # 107	Corrections # 201	EMS # 206	Fire Protection # 209	LEPF # 211
Revenues					
Gross receipt taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	-	-
Lodger's taxes	-	-	-	-	-
State operating grants	-	-	20,000	-	31,665
State capital grants	-	-	-	223,023	-
Federal operating grants	-	-	-	-	-
Federal capital grants	-	-	-	-	-
Charges for services	5,104	-	-	-	-
Licenses and fees	-	13,720	-	-	-
Interest income	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
Total revenue	5,104	13,720	20,000	223,023	31,665
Expenditures					
Current:					
Public safety	-	13,720	18,620	160,707	28,733
Public works	-	-	-	-	-
Culture and recreation	1,907	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	54,655	-
Interest	-	-	-	3,591	-
Total expenditures	1,907	13,720	18,620	218,953	28,733
Excess (deficiency) of revenues over expenditures	3,197	-	1,380	4,070	2,932
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	3,197	-	1,380	4,070	2,932
Fund balance - beginning of year	2,039	-	(1,380)	9,979	(596)
Fund balance - end of year	\$ 5,236	\$ -	\$ -	\$ 14,049	\$ 2,336

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue

Lodgers Tax # 214	Lodgers Tax Promotion # 215	Municipal Street # 216	Recreation # 217	Library # 218	Juvenile Justice # 241	Rodeo Arena # 249	Convention Center # 250
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	113,056	-	-	-	-	-
138,219	301,822	-	-	-	-	-	-
-	-	-	25,000	-	-	325	-
-	-	-	-	-	-	-	-
-	-	-	-	-	60,313	-	-
-	-	-	-	-	-	-	-
-	-	-	11,095	-	-	81,740	183,825
-	-	-	-	-	-	-	-
-	52	-	-	-	-	-	20
-	3,002	3,340	4,066	-	-	-	4,907
138,219	304,876	116,396	40,161	-	60,313	82,065	188,752
-	-	-	-	-	81,631	-	-
-	-	483,731	-	-	-	-	-
55,854	151,914	-	300,736	-	-	132,785	31,904
81,141	109,881	281,399	-	-	-	47,016	73,866
-	60,672	30,305	-	-	-	-	30,846
-	28,248	1,992	-	-	-	-	23,149
136,995	350,715	797,427	300,736	-	81,631	179,801	159,765
1,224	(45,839)	(681,031)	(260,575)	-	(21,318)	(97,736)	28,987
-	-	521,731	258,319	-	-	55,500	-
-	-	150,000	-	-	-	-	-
-	-	671,731	258,319	-	-	55,500	-
1,224	(45,839)	(9,300)	(2,256)	-	(21,318)	(42,236)	28,987
49,682	188,685	19,647	(3,217)	669	43,854	39,852	44,257
\$ 50,906	\$ 142,846	\$ 10,347	\$ (5,473)	\$ 669	\$ 22,536	\$ (2,384)	\$ 73,244

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STATE OF NEW MEXICO
City of Socorro
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

Statement A-2
Page 2 of 2

	Capital Projects		Debt Service	Total
	Airport Improvements # 304	CDBG # 315	Debt Service # 403	Nonmajor Governmental Funds
Revenues				
Gross receipt taxes	\$ -	\$ -	\$ 31,890	\$ 31,890
Gas taxes	-	-	-	113,056
Lodger's taxes	-	-	-	440,041
State operating grants	-	-	-	76,990
State capital grants	-	257,146	-	480,169
Federal operating grants	-	-	-	60,313
Federal capital grants	128,279	-	-	128,279
Charges for services	-	-	-	281,764
Licenses and fees	-	-	-	13,720
Interest income	-	-	2,206	2,278
Miscellaneous income	-	-	-	15,315
Total revenue	128,279	257,146	34,096	1,643,815
Expenditures				
Current:				
Public safety	-	-	-	303,411
Public works	4,738	11,094	-	499,563
Culture and recreation	-	-	-	675,100
Capital outlay	74,923	114,860	-	783,086
Principal	-	-	29,050	205,528
Interest	-	-	5,670	62,650
Total expenditures	79,661	125,954	34,720	2,529,338
Excess (deficiency) of revenues over expenditures	48,618	131,192	(624)	(885,523)
Other financing sources (uses)				
Transfers in	-	28,500	-	864,050
Loan proceeds	-	-	-	150,000
Total other financing sources (uses)	-	28,500	-	1,014,050
Net change in fund balance	48,618	159,692	(624)	128,527
Fund balance - beginning of year	(40,753)	76,959	169,694	599,371
Fund balance - end of year	\$ 7,865	\$ 236,651	\$ 169,070	\$ 727,898

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Socorro
Schedule of Deposits and Investments
June 30, 2022

Schedule V

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
New Mexico LGIP					
LGIP	Investments	\$ 1,755,389	\$ -	\$ -	\$ 1,755,389
Total Wells Fargo Bank, N.A.		<u>1,755,389</u>	<u>-</u>	<u>-</u>	<u>1,755,389</u>
First State Bank:					
Operating Account	Checking	4,019,503	37,735	(774,188)	3,283,050
CDBG	Checking	36,606			36,606
Savings	Savings	4,903,780			4,903,780
USDA #2	Checking	5,800			5,800
USDA	Checking	20,882			20,882
Payroll Account	Checking	47,089	387	(45,071)	2,405
Total First State Bank		<u>9,033,660</u>	<u>38,122</u>	<u>(819,259)</u>	<u>8,252,523</u>
Washington Federal					
Operating Account	Chyecking	97,907	1,533	-	99,440
Total Washington Federal		<u>97,907</u>	<u>1,533</u>	<u>-</u>	<u>99,440</u>
New Mexico Finance Authority:					
Debt Service Account	Debt Service	230,096	-	-	230,096
Debt Service Reserve Escrow	Debt Escrow	343,824	-	-	343,824
Project Funds	Capital Projects	372	-	-	372
Total New Mexico Finance Authority		<u>574,292</u>	<u>-</u>	<u>-</u>	<u>574,292</u>
Total		<u>\$ 11,461,248</u>	<u>\$ 39,655</u>	<u>\$ (819,259)</u>	<u>10,681,644</u>
Petty cash					900
Total Deposits					<u>\$ 10,682,544</u>
Total cash and cash equivalents per Statement of Net Position					\$ 10,033,837
Total restricted cash and cash equivalents per Statement of Net Position					611,537
Total customer deposits per Statement of Net Position					37,170
Total cash and cash equivalents					<u>\$ 10,682,544</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2022

Schedule VI

Name of Depository	Description of Pledged Collateral	Maturity Date	CUSIP / Description	Fair Market Value
First State Bank	FFCB 5.28	04/16/25	31331VKU9	\$ 504,908
First State Bank	FNMA 6.090	09/27/27	31364FCB5	589,253
First State Bank	FFCB 2.800	05/03/29	3133EKKG0	1,995,254
First State Bank	FFCB 2.450	07/26/32	3133EGNR2	1,110,116
First State Bank	FFCB 2.850	09/13/23	3133EHYH0	400,558
First State Bank	FFCB 3.620	03/09/34	3133EAGW2	1,084,731
				<u>\$ 5,684,820</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. Colón
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 budgetary comparisons for the general fund of the City of Socorro, New Mexico (the City), as of and for the year ended June 30, 2022, 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 19, 2022.

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 19, 2022

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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. Colón
New Mexico State Auditor
and
The City Council
City of Socorro
Socorro, New Mexico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Socorro, New Mexico's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 19, 2022

STATE OF NEW MEXICO
City of Socorro
Schedule of Expenditures of Federal Awards
June 30, 2022

Schedule VII

Federal grantor/Pass-through Grantor/Program Title	Assisted Listing Number	Major Program	Project Number	Federal Expenditures	Loan and Loan Guarantees	Total
United States Department of Transportation						
Passed Through New Mexico Department of Transportation						
Public Rural Transportation	20.509	No	DD82-8311	\$ 223,800	\$ -	\$ 223,800
United States Department of Justice						
Passed through New Mexico Children and Youth Families Department						
Juvenile Assistance Grant	16.601	No	21-690-3200-20819	78,375	-	78,375
United States Center of Disease Control						
Passed through New Mexico Department of Health						
Community Transformation Grant	93.531	No	66500-06104	23,895	-	23,895
United States Federal Emergency Management Agency						
Passed through New Mexico Department of Substance Abuse						
Drug Free Communities	93.959	No	BD30-SABG	132,605	-	132,605
United States Department of the Treasury						
Direct						
American Rescue Plan Funding	21.019	Yes	FRF-SOCRO-085	709,973	-	709,973
Federal Aviation Agency						
Direct						
Airport Project	20.106	No	3-35-0040-022-2021	79,661	-	79,661
United States Department of Agriculture						
Direct						
Waste Water Collection Lines	10.760	Yes	1780-12	2,092,114	-	2,092,114
Waste Water Collection Lines	10.760	Yes	1780-12	-	6,424,000	6,424,000
Total Expenditures of Federal Awards				\$ 3,340,423	\$ 6,424,000	\$ 9,764,423

See Independent Auditors' Report

STATE OF NEW MEXICO
City of Socorro
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Socorro (City) under program of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Title 2-U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule only presents a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

NOTE 2. Significant Accounting Policies

The accompanying schedule of federal awards is prepared on the modified accrual basis of accounting. The schedule of federal awards includes expenditures of the City of Socorro.

Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, and Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), where certain types of expenditures are not allowable or are limited as the reimbursement.

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3. Loan Guarantees

The City expend federal awards related to loans or loan guarantees in the amount of \$6,424,000 during the year.

NOTE 4. Federally Funded Insurance

The City has no federally funded insurance.

NOTE 5. Funds Provided to Sub-recipients

The City did not provide any funds to subrecipients during the year ended June 30, 2022.

NOTE 6. Noncash Assistance

The City did not receive any noncash assistance during the year ended June 30, 2022.

STATE OF NEW MEXICO
City of Socorro
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 3. General

The following is a reconciliation of the total Federal Awards of the City for the year ended June 30, 2022:

City of Socorro's federal expenditures of federal awards on SEFA	\$ 9,764,423
Expenditures funded by other sources	<u>26,056,782</u>
Total expenditures	<u><u>\$ 35,821,205</u></u>

STATE OF NEW MEXICO
City of Socorro
Schedule of Findings and Questioned Costs
June 30, 2022

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:

Type of Auditors report issued on compliance for major federal programs **Unmodified**

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 200.516(a)? No

Identification of major federal programs and type of auditors report issued on compliance for major federal programs:

Assisted Listing Number	Name of Federal Program or Cluster	Federal Funding Source
21.109	American Rescue Plan	Unites States department of Treasury
10.760	Waste Water Collection Lines	United States Department of Argiculture

Dollar threshold used to distinguish between a type A and type B programs. \$750,000

Auditee qualified as a low-risk auditee? No

Section II: Prior Year Audit Findings

No Previous year audit findings

Section III: Audit Findings

No Current year audit findings

**STATE OF NEW MEXICO
City of Socorro
Exit Conference
June 30, 2022**

Exit Conference

An exit conference was held on October 19, 2022. In attendance were the following:

Representing the City of Socorro:

Peter Romero	City Councilor
Donald Monette	City Administrator
Ruby Lopez	Finance Director

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.