

**CITY OF SOCORRO, TEXAS**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF SOCORRO, TEXAS**  
**BASIC FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2021**

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**CITY OF SOCORRO, TEXAS**  
**BASIC FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2021**

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**CITY OF SOCORRO, TEXAS**

**PRINCIPAL OFFICIALS**

**Name**

**Title**

Ivy Avalos

Mayor

**City Council**

Ruben Reyes

At Large Representative

Cesar Nevarez

District 1 Representative

Alejandro Garcia

District 2 Representative

Rudy Cruz, Jr.

District 3 Representative

Yvonne Colon-Villalobos

District 4 Representative

**City Administration**

Adriana Rodarte

City Manager

Charles Casiano, CPA

Finance Director

Olivia Navarro

City Clerk

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Socorro, Texas ("the City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Socorro, Texas' basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**SBNG**

CERTIFIED PUBLIC ACCOUNTANTS

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EL PASO, TX 79901

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(Continued)

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Socorro, Texas, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that a Budgetary Comparison for the General Fund and the Special Revenue Fund as shown on pages 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Socorro, Texas' basic financial statements. The budgetary comparison schedules for the capital improvements fund and debt service fund, and the accompanying schedule of expenditures of federal and state 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

(Continued)

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

**Other Matters (Continued)**

*Other Information (Continued)*

The budgetary comparison for the capital improvements fund, the budgetary comparison for the debt service fund, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison for the capital improvements fund, the budgetary comparison for the debt service fund, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022, on our consideration of City of Socorro, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Socorro, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Socorro, Texas' internal control over financial reporting and compliance.

SBNG, PC

El Paso, Texas  
June 16, 2022

**CITY OF SOCORRO, TEXAS**  
**STATEMENT OF NET POSITION**

**September 30, 2021**

<u><b>ASSETS</b></u>	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 5,320,113
Restricted cash	7,981,068
Investments	2,552,527
Taxes receivable	2,980,017
Grants receivable	2,040,103
Other receivables, net	217,664
Prepaid expenses	43,566
Other assets	5,000
Non-depreciable capital assets	8,195,790
Depreciable capital assets, net of accumulated depreciation	<u>39,863,232</u>
Total assets	<u>69,199,080</u>
 <u><b>LIABILITIES</b></u>  	
Accounts payable	3,575,727
Accrued liabilities	279,954
Deferred revenue	4,257,502
Due within one year:	
Compensated absences	77,225
Bonds payable	1,285,000
Due in more than one year:	
Bonds payable, net	<u>27,306,988</u>
Total liabilities	<u>36,782,396</u>
 <u><b>DEFERRED INFLOWS OF RESOURCES</b></u>  	
Deferred inflows of resources related to gain from retirement of bond	<u>84,137</u>
Total deferred inflows of resources	<u>84,137</u>
 <u><b>NET POSITION</b></u>  	
Net position:	
Invested in capital assets, net of related debt	19,467,034
Restricted	5,719,731
Unrestricted	<u>7,145,782</u>
Total net position	<u>\$32,332,547</u>

The accompanying notes are an integral  
part of these financial statements.



**CITY OF SOCORRO, TEXAS**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2021**

<u><b>FUNCTIONS/PROGRAMS</b></u>	<u><b>Direct Expenses</b></u>	<u><b>Program Revenues</b></u>			<u><b>Net Revenue (Expenses) and Changes in Net Position Governmental Activities</b></u>
		<u><b>Charges for Services, Fees, Fines and Forfeitures</b></u>	<u><b>Operating Grants and Contributions</b></u>	<u><b>Capital Grants and Contributions</b></u>	
Primary government:					
Infrastructure and environmental	\$ 4,263,133	\$ 985,240	\$ 1,565,597	\$	\$ (1,712,296)
Public safety	4,821,098		358,363		(4,462,735)
General government	2,887,544	55,137	1,144,996		(1,687,411)
Community development	559,208		100,270		(458,938)
Health and human services	549,241				(549,241)
Justice system	348,757	556,600			207,843
Interest on long-term debt	782,458				(782,458)
Bond issuance costs	<u>52,615</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>(52,615)</u>
Total governmental activities	<u>\$ 14,264,054</u>	<u>\$ 1,596,977</u>	<u>\$ 3,169,226</u>	<u>\$</u>	<u>(9,497,851)</u>
		General revenues:			
					9,348,348
					1,993,152
					728,644
					7,704
					<u>49,624</u>
			Total general revenues		<u>12,127,472</u>
			Change in net position		2,629,621
			Net position, beginning of year		<u>29,702,926</u>
			Net position, end of year		<u>\$ 32,332,547</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SOCORRO, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-CARES</u>	<u>Special Revenue Fund-ARPA</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>								
Cash and cash equivalents	\$ 5,239,681	\$ 78,324	\$ 293,067	\$	\$	\$	\$ 2,108	\$ 5,320,113
Restricted cash		5,046,955			342,689	2,298,357		7,981,068
Investments	479,961					2,072,566		2,552,527
Taxes receivable	2,457,563				522,454			2,980,017
Due from other funds	1,728,003			4,257,502		10,992		5,996,497
Grants receivable		390,563	540,848			1,108,692		2,040,103
Other receivables, net	214,189	3,475						217,664
Prepaid expenses	<u>6,842</u>				<u>16,469</u>	<u>20,255</u>		<u>43,566</u>
Total assets	<u>\$ 10,126,239</u>	<u>\$ 5,519,317</u>	<u>\$ 833,915</u>	<u>\$ 4,257,502</u>	<u>\$ 881,612</u>	<u>\$ 5,510,862</u>	<u>\$ 2,108</u>	<u>\$ 27,131,555</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>								
Liabilities:								
Accounts payable	\$ 959,874	\$ 50,794	\$ 27,952	\$	\$	\$ 2,537,107	\$	\$ 3,575,727
Accrued liabilities	209,349							209,349
Deferred revenue				4,257,502				4,257,502
Due to other funds	<u>10,992</u>	<u>5,163,110</u>	<u>805,963</u>		<u>15,975</u>	<u>457</u>		<u>5,996,497</u>
Total liabilities	<u>1,180,215</u>	<u>5,213,904</u>	<u>833,915</u>	<u>4,257,502</u>	<u>15,975</u>	<u>2,537,564</u>		<u>14,039,075</u>
Deferred inflows of resources:								
Deferred property taxes	1,301,452				358,556			1,660,008
Deferred court fees	<u>125,097</u>							<u>125,097</u>
Total deferred inflows of resources	<u>1,426,549</u>				<u>358,556</u>			<u>1,785,105</u>

(Continued)

CITY OF SOCORRO, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-CARES</u>	<u>Special Revenue Fund-ARPA</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)</u></b>								
Fund balances:								
Nonspendable	\$ 6,842	\$	\$	\$	\$ 16,469	\$ 20,255	\$	\$ 43,566
Restricted for:								
Debt service					490,612			490,612
Capital projects						2,953,043		2,953,043
Federal and state mandated programs		305,413						305,413
Transportation Reinvestment Zone #1	1,970,663							1,970,663
Committed for:								
Capital improvements	485,204							485,204
Minimum fund balance	1,765,756							1,765,756
Unassigned	<u>3,291,010</u>						2,108	<u>3,293,118</u>
Total fund balances	<u>7,519,475</u>	<u>305,413</u>			<u>507,081</u>	<u>2,973,298</u>	<u>2,108</u>	<u>11,307,375</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,126,239</u>	<u>\$ 5,519,317</u>	<u>\$ 833,915</u>	<u>\$ 4,257,502</u>	<u>\$ 881,612</u>	<u>\$ 5,510,862</u>	<u>\$ 2,108</u>	<u>\$ 27,131,555</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOCORRO, TEXAS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

**Year Ended September 30, 2021**

Total fund balances of governmental funds in the balance sheet		\$ 11,307,375
Amounts reported in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	65,781,243	
Accumulated depreciation	<u>(17,722,221)</u>	48,059,022
Deposits on hand are not considered current financial resources and not presented in the governmental funds		5,000
Deferred gains resulting from defeasance of bonds payable are not reported as a fund balance line item. All deferred gains or losses are presented in the statement of net position		(84,137)
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:		
Deferred property taxes	1,660,008	
Deferred court fees	<u>125,097</u>	1,785,105
Some liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:		
Bonds payable, net	(28,591,988)	
Compensated absences	(77,225)	
Accrued interest	<u>(70,605)</u>	<u>(28,739,818)</u>
Total net position of governmental activities		<u>\$ 32,332,547</u>

The accompanying notes are an integral part  
of these financial statements.

CITY OF SOCORRO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended September 30, 2021

<u>REVENUES</u>	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-CARES</u>	<u>Special Revenue Fund-ARPA</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
Property taxes	\$ 7,400,364	\$	\$	\$	\$ 1,971,823	\$	\$	\$ 9,372,187
Federal and state grants		603,234	1,144,296	700		1,366,034		3,114,264
Sales taxes	1,993,152							1,993,152
Planning and zoning fees	985,240							985,240
Franchise taxes	718,393	10,251						728,644
Municipal court fines and fees	574,495							574,495
Charges for services	38,591	16,546						55,137
Local grants		54,962						54,962
Investment income	1,830					5,874		7,704
Other income	25,538	17,211			1,847	28	5,000	49,624
Total revenues	<u>11,737,603</u>	<u>702,204</u>	<u>1,144,296</u>	<u>700</u>	<u>1,973,670</u>	<u>1,371,936</u>	<u>5,000</u>	<u>16,935,409</u>

(Continued)

CITY OF SOCORRO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(CONTINUED)

Year Ended September 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-CARES</u>	<u>Special Revenue Fund-ARPA</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>EXPENDITURES</u></b>								
Public safety	\$ 4,258,113	\$ 366,366	\$ 20,277	\$	\$	\$	\$	\$ 4,644,756
Infrastructure and environmental	2,852,912		347			73,557		2,926,816
General government	1,822,745		1,030,762	700			2,892	2,857,099
Community development	356,413	57,863	4,272					418,548
Health and human services	549,241							549,241
Justice system	348,757							348,757
Debt service:								
Principal					1,275,000			1,275,000
Interest					941,587			941,587
Bond issuance costs					49,987	2,628		52,615
Refinancing bond escrow					1,765,013			1,765,013
Capital outlay	<u>404,235</u>	<u>243,489</u>	<u>88,638</u>	<u>700</u>	<u>4,031,587</u>	<u>5,489,962</u>	<u>2,892</u>	<u>6,226,324</u>
Total expenditures	<u>10,592,416</u>	<u>667,718</u>	<u>1,144,296</u>	<u>700</u>	<u>4,031,587</u>	<u>5,566,147</u>	<u>2,892</u>	<u>22,005,756</u>

(Continued)

CITY OF SOCORRO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(CONTINUED)

Year Ended September 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-CARES</u>	<u>Special Revenue Fund-ARPA</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>OTHER FINANCING SOURCES</u></b>								
Proceeds from bond issuance	\$ _____	\$ _____	\$ _____	\$ _____	\$1,815,000	\$ _____	\$ _____	\$ 1,815,000
Total other financing sources	_____	_____	_____	_____	1,815,000	_____	_____	1,815,000
Net change in fund balance	1,145,187	34,486			(242,917)	(4,194,211)	2,108	(3,255,347)
Fund balance, beginning of the year	<u>6,374,288</u>	<u>270,927</u>	_____	_____	<u>749,998</u>	<u>7,167,509</u>	_____	<u>14,562,722</u>
Fund balance, end of the year	<u>\$7,519,475</u>	<u>\$305,413</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 507,081</u>	<u>\$2,973,298</u>	<u>\$ 2,108</u>	<u>\$11,307,375</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOCORRO, TEXAS**

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

**Year Ended September 30, 2021**

Net change in fund balances – total governmental funds \$ (3,255,347)

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;  
however, in the Statement of Activities, the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation expense:

Capital outlays	6,226,324	
Depreciation expense	<u>(1,676,220)</u>	4,550,104

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

Change in unavailable revenue related to property taxes	(23,839)	
Change in unavailable revenue related to municipal court	<u>(17,895)</u>	(41,734)

The proceeds from certificates of obligation and premiums provide  
current financial resources to governmental funds, but issuing  
debt increases long-term liabilities in the statement of net assets. (1,815,000)

Funds in the refunding bond escrow are not considered a current  
financial resource, therefore, they are not reported in the funds. 1,765,013

Bond premiums are amortized using the straight-line method over  
the term of bonds payable. Interest expense in the  
statement of activities is reduced by bond premium amortization  
recognized every year. 142,867

The deferred gain on defeasance of bonds is amortized using the straight-line  
method over the term of the refunding bond payable. Interest expense in the  
statement of activities is reduced by the deferred gain amortization  
recognized every year. 8,995

(Continued)



**CITY OF SOCORRO, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
(CONTINUED)**

**Year Ended September 30, 2021**

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.			\$ 1,275,000
Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:			
Change in accrued interest payable		7,267	
Change in compensated absences payable		<u>(7,544)</u>	<u>(277)</u>
Change in net position of governmental activities			<u>\$ 2,629,621</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF SOCORRO, TEXAS

### NOTES TO FINANCIAL STATEMENTS

#### ORGANIZATION AND OPERATIONS

City of Socorro, Texas (“the City”) operates under a Home Rule City with five council members and a Mayor. The Mayor and one council member are elected at large, and the remaining four council members are elected in single-member Districts. By ordinance, the City is required to have a City Manager. The City provides general services, public safety, public works, public health, community and economic development, court services and community development.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government entities.

Reporting Entity – 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 Statements No. 14, No. 39, No. 61, No. 80, and No. 90.

Component units are legally separate organizations for which the City is financially accountable, or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City’s financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the City’s ability to direct the organization or (ii) the potential for the organization to provide a financial benefit to or impose a financial burden on the City.

Blended component units, although legally separate entities are, in substance, part of the City’s operations. Accordingly, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their legal and operational separation from the government.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Blended Component Unit –**

City of Socorro Community Initiative – Established to solicit and receive contributions, gifts and grants for the purpose of accumulating a perpetual endowment to supplement, augment and assist in sustaining the operating and capital requirements of City of Socorro, Texas, its subsidiaries and affiliates, and to make grants or other payments to or for the benefit of the City in order to promote community development, arts and culture, historic preservation and tourism, and economic success in City of Socorro, Texas. The Corporation was established in 2019 as a 501(c)(3) Organization and therefore, it is exempt from federal income tax. The Corporation meets the requirements for blending because its governing body is appointed by the City’s Council and is managed as a department of the City under the direction of the City’s management. The Corporation’s activities are reported in the City’s governmental activities as a special revenue fund. Separate financial statements are not prepared for the Corporation. The Corporation’s fiscal year ends on December 31. The activity of City of Socorro Community Initiative is presented under the aggregate non-major funds in the financial statements of governmental activities for the year ended September 30, 2021.

Government-Wide and Fund Financial Statements – The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenue.

The City has six major individual governmental funds and one non-major governmental fund, which are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property tax revenues are recognized in the year for which they are levied.

(Continued)

CITY OF SOCORRO, TEXAS

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued) – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

In addition to assets and liabilities, the government fund balance sheet and the government-wide statement of net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Accounting policies regarding deferred inflows and outflows of resources are explained on pages 22 and 34.

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

The City reports the following major governmental funds:

General Fund – 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.

Special Revenue Fund-Grants – The Special Revenue Fund – Grants is used to account for the expenditures of state and local awards that have been restricted to be used in public service. Grant revenue is recognized when compliance with the various contract requirements are achieved. In addition, the fund is also used to account for funds that have been internally assigned for public safety, as well as other fees resulting from contracts with external law enforcement agencies.

(Continued)

CITY OF SOCORRO, TEXAS

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting (Continued) –

Special Revenue Fund-CARES – The Special Revenue Fund – CARES is used to account for the expenditures of CARES Act funding that have been restricted to be used for responding to the COVID-19 health emergency. Grant revenue is recognized as expenditures are incurred, and any unused funds are presented as refundable grant advances in the Statement of Net Position.

Special Revenue Fund-ARPA – The Special Revenue Fund – ARPA is used to account for the expenditures of American Rescue Plan Act funding that have been restricted to be used for responding to the COVID-19 health emergency and other eligible uses established by the U.S. Department of Treasury. Grant revenue is recognized as expenditures are incurred, and any unused funds are presented as refundable grant advances in the Statement of Net Position.

Debt Service Fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the City’s general obligation debt.

Capital Projects Fund – The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or assets that will be held in-trust for individuals, private organizations, or other governments.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict current guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Budgets and Budgetary Accounting – The City is required by the Texas Constitution to adopt an annual balanced budget. The City Council officially adopts the annual budget ordinance and all project ordinances and has the authority to amend such ordinances. All budgets are prepared on the budgetary basis of accounting as required by Texas law.

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

State statutes authorize the City to invest in Certificates of Deposit, repurchase agreements, passbook, bankers' acceptances, and other available bank investments, provided that approved securities are pledged in an amount equal to 102% of the amount of funds on deposit.

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the City, are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash, Cash Equivalents, and Investments (Continued) – Restricted cash represents certain unexpended long-term debt funding restricted for specific capital projects and special revenue projects.

Property Tax Calendar – The City is responsible for the assessment, collection, and apportionment of property taxes. The Council levies property taxes on October 1. The certified tax roll from the El Paso Central Appraisal District reflected a taxable value of \$1,138,282,400 for the year ended September 30, 2021. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The City’s 2020-2021 tax rate was \$.836995, per \$100 of assessed valuation. The City incurred expenditures of \$107,505 and \$11,263 for the services provided by El Paso Central Appraisal District and City of El Paso Tax Collector respectively, for the year ended September 30, 2021.

Receivables and Payables – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City periodically evaluates the collectability of its accounts receivable. An allowance is set up for some accounts which the City believes may be uncollectible over time. Accounts deemed uncollectible are written off at that time. The City is in the process of evaluating their allowance policy in order to adequately reflect the receivables they deem to be collectible. In the government-wide and governmental fund financial statements delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectable amounts.

Accounts receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its accounts receivable. The allowance for doubtful accounts amounted to \$7,238,238 at September 30, 2021.

Inventory – The City’s method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are consumed. Inventory is valued at cost and consists of gas inventory. The cost of purchased gas is recorded as an expenditure at the time the City utilizes the gas.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants and Contracts Receivable – Grants and contracts receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. At September 30, 2021, management determined all outstanding grants and contracts receivable to be fully collectable. Accordingly, no allowance has been established.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported 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 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is determined using the straight-line method over the estimated useful lives of the capital assets.

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

Buildings, structures, and improvements	39-40
Machinery and equipment	5
Vehicles	5
Office furniture and equipment	5-7
Software	3
Infrastructure	22-45
Leasehold improvements	39

Impairment of Long-Lived Assets – Impairment of assets takes place when the fair value of the long-term asset is less than its book (carrying) value. The impairment loss is recorded only when the carrying value of the asset is not recoverable and exceeds its fair value. The City does not have any impaired assets as of September 30, 2021.

Compensated Absences –The City’s leave policy allows paid time off to regular full-time employees depending on length of service. Calculation is based on a “benefit year” which is the twelve-month period that begins when an employee starts earning paid time off. The maximum accrual to be carried over to the next fiscal year is 40 hours. Employees who exceed 40 hours available to carry over to the next fiscal year will lose the excess accrued hours. Sick leave is not paid out upon termination.

(Continued)



**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond discounts and premiums are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable bond discounts or premiums. Bond issuance costs, except for prepaid bond insurance, are reported as expenses in the period incurred. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issue costs. Bond and other long-term debt proceeds are reported as another financing source net of applicable premium or discount. Issue costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Outflows of Resources and Deferred Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time. The fund basis financial statements include deferred inflows of resources related to unavailable property tax revenues and court fees. The government-wide financial statements include deferred inflows of resources related to deferred gains from bond defeasances.

Fund Balance Classification Policies and Procedures – In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable fund balance – Amounts that cannot be spent because they are either not in a spendable form (such as inventory, long term loans, and prepaid amounts) or are legally or contractually required to be maintained. At September 30, 2021, nonspendable fund balance consisted of prepaid expenses in the amount of \$43,566.

Restricted fund balance – Amounts that should be reported when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. At September 30, 2021, the restricted fund balance on the governmental funds was \$5,719,731, of which \$490,612 is restricted for debt service, \$2,953,043 is restricted for capital projects, \$305,413 is restricted for federal and state mandated programs, and \$1,970,663 is restricted for the Transportation Reinvestment Zone #1.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Classification Policies and Procedures (Continued) –**

Fiduciary Activities – Effective October 1, 2020, the City adopted GASBS No. 84, “Fiduciary Activities.” The standard establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Management has evaluated the criteria established by GASBS No. 84 and has not identified any activities or assets that would require to be reported as fiduciary activities as defined by GASBS No. 84.

Committed fund balance – For committed fund balance, the City’s highest level of decision-making authority is the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council. The committed fund balance of \$485,204 at September 30, 2021 was composed of funds reserved for future infrastructure projects. The City Council also established a policy to maintain a minimum fund balance. The minimum fund balance reserve was \$1,765,756 at September 30, 2021.

Assigned fund balance – The City Council or the City Manager is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund. Assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There was no assigned fund balance at September 30, 2021.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. At September 30, 2021, the unassigned fund balance of the governmental funds was \$3,293,118.

Minimum Fund Balance Policy – In fiscal year 2011, the City adopted a minimum fund balance policy for the General Fund. The City’s goal is to achieve and maintain an unassigned fund balance in the general fund equal to 16.67% of expenditures. The City considers a balance of less than 8.34% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance. Minimum fund balance for the general fund as of September 30, 2021 is \$1,765,756, which is considered to be committed fund balance. At September 30, 2020, the City’s unassigned fund balance amounted to \$3,291,010 which met the established percentage requirement.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position – Net position is displayed in three components:

- 1) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position – consists of net position with constraints placed on their use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Net Position/Fund Balance Flow Assumptions – The City may elect to fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements and restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted balances to have been depleted before unrestricted balances are applied.

Internal Balances – Amounts reported in the fund financial statements as interfund receivables, payables and advances, if any, are eliminated in the government-wide governmental columns of the statement of net position.

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

**DEPOSITS AND INVESTMENTS**

The City's deposits and investments are managed pursuant to its Investment Policy, which is approved annually by the City Council. The Investment Policy primarily emphasizes safety of principal, liquidity, prudent investing activities, and optimization of investment return. The safety and preservation of principal is to remain the primary objective. The policy addresses investment diversification, yield, and maturity; as well as requiring training for personnel in charge of monitoring investments. The Investment Policy also defines the type of investments in which the City may invest its funds.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

***Cash Deposits***

Total deposits held by the City as of September 30, 2021 had a bank balance of \$13,315,732. The bank balance differs from the register cash balance of \$5,320,113 and restricted cash of \$7,981,068 due to checks and deposits that were in transit at the end of the fiscal year.

*Custodial Credit Risk - Deposits* – The City’s policy requires the collateralization of all funds on deposit with a depository bank, other than investments in excess of \$100,000. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. Securities pledged as collateral shall be held by an independent third-party with whom the City has a current custodial agreement. Management evaluates the exposure to custodial credit risk for deposits exceeding the amount insured by the FDIC by comparing the amounts of cash on-hand to collateralized funds. At September 30, 2021, pledged collateral funds securing the City’s deposits had a fair market value of \$13,818,252, in addition to the FDIC insurance coverage for up to \$250,000, which exceeded the City’s bank balances totaling \$13,315,732.

***Investments***

*Interest Rate Risk* – It is the City’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates. The City attempts to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than two years from the date of purchase. The maximum maturity for repurchase agreements shall be 120 days, and the composite portfolio should have a weighted average maturity of 36 days or less.

*Credit Risk* –The City’s policy for restricting investment instruments is consistent with Texas state law. The City will minimize credit risk by limiting investments to the safest types of investments, pre-qualifying the financial institutions and broker/dealers with which the City will do business and diversifying the investment portfolio so that potential losses on individual issuers are minimized. In accordance with state law, investments in investment pools must be rated at least AAA by at least one nationally recognized rating service and seek to maintain a net asset value of \$1.00 per share. All of the City's investments are rated at least AAA by at least one nationally recognized rating service.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEPOSITS AND INVESTMENTS (Continued)**

***Investments (Continued)***

In addition, the City’s policy establishes the following maximum limits, by instrument, for its total investment portfolio:

1. U.S. Treasury securities	100%
2. Agencies and instrumentalities	85%
3. Certificates of deposit	100%
4. Repurchase agreements, excluding flexible repurchase agreements for bond proceeds investments	20%
5. Money market mutual funds	50%
6. Authorized pools	50%

The City had the following investments at September 30, 2021:

	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Measurement Method</u>
Maintenance and Operations	\$ 479,961	\$ 479,961	Amortized Cost
Capital Projects	<u>2,072,566</u>	<u>2,072,566</u>	Amortized Cost
 Total LOGIC Investments	 <u>\$2,552,527</u>	 <u>\$2,552,527</u>	

LOGIC is a local government investment pool organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. The units in LOGIC have not been registered under the Securities Act of 1933, as amended, or any state securities law. Its general investment objective is safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return. The portfolio seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time. LOGIC’s Board of Trustees has determined, in good faith, that it is in the best interests of the portfolio and the unitholders to maintain a stable net asset value of \$1.00 per unit, by virtue of utilization of the amortized cost method which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. The portfolio will continue to use such method only so long as the Board believes that it fairly reflects the market-based net asset value per unit. Units of LOGIC are currently rated “AAA” by Standard & Poor’s. Further information is available at the LOGIC website [www.logic.org](http://www.logic.org).

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**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**PROPERTY TAX AND OTHER RECEIVABLES**

Property tax and other receivables consist of the following at September 30, 2021:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Property taxes:			
Property taxes, current	\$ 685,657	\$	\$ 685,657
Property taxes, delinquent	<u>1,733,151</u>	<u>                    </u>	<u>1,733,151</u>
	2,418,808		2,418,808
Sales taxes and franchise fees	<u>561,209</u>	<u>                    </u>	<u>561,209</u>
Taxes receivable	<u>\$2,980,017</u>	<u>\$                    </u>	<u>\$2,980,017</u>
Other receivables:			
Court warrants	\$7,452,427	\$(7,238,238)	\$214,189
Other	<u>3,475</u>	<u>                    </u>	<u>3,475</u>
	<u>\$7,455,902</u>	<u>\$(7,238,238)</u>	<u>\$217,664</u>

**GRANTS RECEIVABLE**

Grants receivable arise from amounts due to the City from granting agencies for allowable expenditures not reimbursed at year-end. Grants receivable consisted of the following at September 30, 2021:

County of El Paso	\$ 540,848
Texas Office of the Governor	106,120
Texas Department of Agriculture	127,075
U.S. Department of Justice	122,868
Texas Department of Transportation	1,108,692
Texas Historical Commission	<u>34,500</u>
Total	<u>\$2,040,103</u>

(Continued)

**CITY OF SOCORRO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**INTERFUND RECEIVABLES AND PAYABLES**

The composition of the City’s interfund balances as of September 30, 2021 is as follows:

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
General Fund	Special Revenue-Grants	\$ 905,608
Special Revenue Fund-ARPA	Special Revenue-Grants	4,257,502
General Fund	Special Revenue-CARES	805,963
General Fund	Debt Service Fund	15,975
General Fund	Capital Improvements Fund	457
Capital Improvements Fund	General Fund	<u>10,992</u>
	Total	<u>\$5,996,497</u>

**CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring for governmental activities during the year ended September 30, 2021:

	<b><u>Balance at September 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Reclassifications</u></b>	<b><u>Balance at September 30, 2021</u></b>
Non-depreciable capital assets:					
Land	\$2,820,493	\$ 204,886	\$	\$	\$3,025,379
Construction in progress	<u>1,515,003</u>	<u>4,594,003</u>	_____	<u>(938,595)</u>	<u>5,170,411</u>
Total non-depreciable capital assets	<u>4,335,496</u>	<u>4,798,889</u>	_____	<u>(938,595)</u>	<u>8,195,790</u>

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS (Continued)**

	<b>Balance at September 30, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassifications</b>	<b>Balance at September 30, 2021</b>
Depreciable capital assets:					
Infrastructure	\$47,610,372	\$732,461	\$	\$ 28,603	\$48,371,436
Machinery and equipment	2,436,340	32,244			2,468,584
Buildings	2,318,974	71,726		909,992	3,300,692
Vehicles	2,192,440	580,223			2,772,663
Furniture	346,358				346,358
Leasehold improvements	212,942				212,942
Software	<u>112,421</u>	<u>10,781</u>	<u>(10,424)</u>	<u>_____</u>	<u>112,778</u>
	<u>55,229,847</u>	<u>1,427,435</u>	<u>(10,424)</u>	<u>938,595</u>	<u>57,585,453</u>
Less accumulated depreciation for:					
Infrastructure	(11,227,682)	(1,142,190)			(12,369,872)
Machinery and equipment	(1,985,179)	(93,143)			(2,078,322)
Buildings	(926,976)	(143,058)			(1,070,034)
Vehicles	(1,372,916)	(277,104)			(1,650,020)
Furniture	(336,390)	(4,609)			(340,999)
Leasehold improvements	(119,664)	(5,017)			(124,681)
Software	<u>(87,618)</u>	<u>(11,099)</u>	<u>10,424</u>	<u>_____</u>	<u>(88,293)</u>
Total accumulated depreciation	<u>(16,056,425)</u>	<u>(1,676,220)</u>	<u>10,424</u>	<u>_____</u>	<u>(17,722,221)</u>
Depreciable capital assets, net	<u>39,173,422</u>	<u>(248,785)</u>	<u>_____</u>	<u>938,595</u>	<u>39,863,232</u>
Total capital assets, net	<u>\$43,508,918</u>	<u>\$4,550,104</u>	<u>\$_____</u>	<u>\$_____</u>	<u>\$48,059,022</u>

(Continued)



**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the government for the year ended September 30, 2021 as follows:

General government	\$ 22,901
Public safety	176,342
Community development	140,660
Infrastructure and environmental	<u>1,336,317</u>
 Total depreciation expense	 <u>\$1,676,220</u>

**LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	<b><u>Balance at September 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at September 30, 2021</u></b>	<b><u>Due Within One Year</u></b>
Compensated absences	\$ 69,681	\$ 419,551	\$ (412,007)	\$ 77,225	\$ 77,225
Bonds payable, net (direct placements)	<u>29,954,220</u>	<u>1,815,000</u>	<u>(3,177,232)</u>	<u>28,591,988</u>	<u>1,285,000</u>
	<u>\$30,023,901</u>	<u>\$2,234,551</u>	<u>\$(3,589,239)</u>	<u>\$28,669,213</u>	<u>\$1,362,225</u>

Totals of principal and interest components equal required minimum payments for periods shown, and total principal equals the net present value of these bonds and notes.

***Compensated absences***

The City's leave policy allows employees to accumulate paid-time-off up to 40 hours per year. Upon termination, any accumulated paid-time-off will be paid to the employee. As of September 30, 2021, employees had approximately 3,839 hours of accumulated paid-time-off.

Total accrued compensated absences	<u>\$77,225</u>
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(Continued)

CITY OF SOCORRO, TEXAS

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

**LONG-TERM DEBT (Continued)**

***Bonds Payable (Direct Placements)***

The City issued \$1,815,000 of General Obligation Refunding Bonds, Series 2020A to refund \$1,855,000 of outstanding principal of Tax and Revenue Obligation Series 2011 CK bonds. Interest rate is 4% to 4.25% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning March 2021 through March 2031. The effective yield rate is approximately 1.43%.	\$1,765,000
The City issued \$9,265,000 of Combination Tax and Revenue Certificates of Obligation, Series 2014. Interest rate varies from 2.00% to 5.00% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning July 2014 through March 2034. The original bond issue included an offering premium of \$730,088 to be amortized over the life of the bond. The effective yield rate is approximately 3.79%.	7,430,000
The City issued \$3,510,000 of General Obligations Refunding Bonds, Series 2016 to refund \$3,500,000 of outstanding 2008 Combination Tax and Revenue bonds. Interest rate varies from 2.00% to 4.00% over the term of the bonds. Varying principal and interest payments are due beginning September 2016 through March 2028. The principal payments are due annually and interest payments are due on a semi-annual basis. The original bond issue included an offering premium of \$356,559 to be amortized over the life of the bond. The effective yield rate is approximately 2.22%.	2,520,000
The City issued \$9,635,000 of Combination Tax and Revenue Certificates of Obligation, Series 2019. Interest rate is 3% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning March 2020 through March 2039. The original bond issue included an offering premium of \$539,552 to be amortized over the life of the bond. The effective yield rate is approximately 2.67%.	9,300,000
The City issued \$6,330,000 of General Obligation Refunding Bonds, Series 2020 to refund \$6,750,000 of outstanding principal of Series 2010 Certificates, Series 2012 Certificates, and Series 2012 Bonds. Interest rate is 3% to 4% over the term of the bonds. Varying principal and interest payments are due semi-annually beginning March 2020 through March 2032. The original bond issue included an offering premium of \$659,601 to be amortized over the life of the bond. The effective yield rate is approximately 2.67%.	<u>5,925,000</u>

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

***Bonds Payable (Direct Placements) (Continued)***

Total bonds payable outstanding	\$26,940,000
Unamortized bond premiums	<u>1,651,988</u>
Total bonds payable, net	<u>28,591,988</u>
Total long-term debt	<u>\$28,669,213</u>

Annual debt service for the outstanding bonds is as follows:

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2022	\$ 1,285,000	\$ 912,566	\$ 2,197,566
2023	1,320,000	875,807	2,195,807
2024	1,360,000	838,001	2,198,001
2025	1,405,000	797,334	2,202,334
2026	1,445,000	751,843	2,196,843
2027-2031	8,050,000	2,958,234	11,008,234
2032-2036	8,190,000	1,285,000	9,475,000
2037-2039	<u>3,885,000</u>	<u>177,225</u>	<u>4,062,225</u>
Totals	<u>\$26,940,000</u>	<u>\$8,596,010</u>	<u>\$35,536,010</u>

Total of principal and interest components equal required minimum payments for periods shown, and total principal equals the net present value of these bonds and notes plus unamortized premiums.

Amortization of bond premiums totaling \$142,867 is included in interest expense for the year ended September 30, 2021.

The portion of Series 2014 bond certificates having a stated maturity of March 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at face value plus any accrued interest at the redemption date on the respective dates and in principal amounts as follows:

Term Certificate due March 1, 2032:

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2031	\$425,000
March 1, 2032	\$440,000

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LONG-TERM DEBT (Continued)**

***Bonds Payable (Continued)***

The portion of Series 2019 bond certificates having a stated maturity of March 1 in the years 2030, 2032, and 2034 are subject to mandatory sinking fund redemption prior to maturity at face value plus any accrued interest at the redemption date on the respective dates and in principal amounts as follows:

Term Certificate due March 1, 2030:

<u>Redemption Date</u>	<u>Principal Amount</u>
March 1, 2029	\$225,000
March 1, 2030	\$230,000

Term Certificate due March 1, 2032:

<u>Redemption Date</u>	<u>Principal Amount</u>
March 1, 2031	\$240,000
March 1, 2032	\$245,000

Term Certificate due March 1, 2034:

<u>Redemption Date</u>	<u>Principal Amount</u>
March 1, 2033	\$255,000
March 1, 2034	\$260,000

***Bond Defeasance***

In November 2020, the City issued \$1,815,000 in General Obligations Refunding Bonds, Series 2020A to refund \$1,730,000 of outstanding principal of Series 2011 Certificates. The net refunding proceeds of \$1,765,013 (including an after payment of \$53,789 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Series 2011 Certificates, are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The carrying balance of the defeased bonds amounted to \$1,759,365 which included \$29,365 of unamortized bond premiums. Net deferred gains resulting from retirement of bonds amounted to \$84,137 at September 30, 2021.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenues in the amount of \$1,785,105 at September 30, 2021, represent revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable revenue received after 60 days is fully recognized as revenue on the government-wide statements. Unavailable revenue at the government-wide level arises only when the City receives resources before it has a legal claim to them. The City has recorded \$1,660,008 related to property taxes, and \$125,097 related to municipal court warrants. Deferred gains resulting from defeasance of bonds payable are presented in the statement of net position in the government-wide financial statements. Deferred gains from defeasance of bonds amounted to \$84,137 on September 30, 2021.

**RESTRICTED NET POSITION AND RESTRICTED FUND BALANCE**

Restricted net position and restricted fund balance consist of those funds that are restricted for use, and include the following:

Capital projects	\$2,953,043
Transportation Reinvestment Zone #1	1,970,663
Debt service	490,612
Federal and state mandated	<u>305,413</u>
Total	<u>\$5,719,731</u>

**COMMITTED FUND BALANCE**

Committed fund balance consists of those funds that can be spent only for specific purposes as determined by City Council, and includes the following:

Safe Routes to School	\$ 245,452
Arterial (1-1682 Tigua P.E.)	<u>239,752</u>
Capital improvements	485,204
Minimum fund balance	<u>1,765,756</u>
Total	<u>\$2,250,960</u>

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**DEFERRED COMPENSATION PLAN**

All City employees are eligible to participate in the City’s Deferred Compensation Plan (the “Plan”) adopted under the provisions of the Internal Revenue Code 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The Plan is administered by Nationwide Retirement Solutions and is a defined contribution plan. Under the terms of the Plan, employees may contribute up to 10% of their earnings into an annuity contract. The City matches 5% of the participants’ contribution into the Plan. Employee and employer contributions into the Plan become 100% vested immediately. The City’s contribution into the Plan for the fiscal year ended September 30, 2021 totaled \$132,774, and the employees contributed \$147,307. Management of the City does not have the ability to direct invested funds in the Plan. Accordingly, the Plan falls outside of the scope of GASBS No. 84, as amended by GASBS No. 97.

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amounts of loss can be reasonably estimated. The City is a participant in an intergovernmental risk pool for its workers’ compensation, liability, and property insurance. Participants in this pool are required to pay “premiums” on the insurance selected. Should a loss occur, the City is liable only for the deductible. The risk pool purchases reinsurance to cover future losses.

During fiscal year ended 2021, the City contracted with Texas Municipal League Intergovernmental Risk Pool for liability, property, and crime damage. Coverages provided by the risk pool are as follows:

General Liability	\$1,000,000
Real and Personal Property	\$4,423,821
Flood and Earthquake	\$5,923,821
Boiler and Machinery (Per Accident)	\$100,000
Mobile Equipment	\$1,272,916
Crime Insurance:	
Public Employee Dishonesty (Per Occurrence)	\$500,000
Forgery or Alteration (Per Occurrence)	\$500,000
Theft Disappearance and Destruction (Per Occurrence)	\$500,000
Computer Fraud (Per Occurrence)	\$100,000

The City had no changes in insurance coverage from the prior year, and there were no settlements that exceeded insurance coverage in the last two years.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES**

**Texas Department of Transportation**

The City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the design of Arterial 1 in the City of Socorro. The City will coordinate the architectural and engineering services involving the project. The agreement originated in August 2020 and calls for a one-time payment of \$1,045 to begin the project. The agreement established a projected budget of \$4,832,941, out of which \$3,052,800 is the estimated federal match, \$480,816 is the estimated state match, and \$1,299,325 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2021, amounted to \$1,516,712.

In July 2020, the City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the construction of a shared use path on Passmore Road. The City will be responsible for providing architectural and engineering services for the construction phase of the project, in addition to providing maintenance to the project after completion. The agreement became effective on the date of execution and will remain in effect until completion of the project. The established projected budget amounts to \$786,527, out of which \$605,425 is the estimated federal match, \$29,745 is the estimated state match, and \$151,357 is the estimated local government’s match. The City made a one-time payment of \$12,833 to begin the project. Total expenses incurred from the inception of the project through September 30, 2021, amounted to \$139,919. These expenses were related to preliminary engineering services and are not part of the estimated federal and state match specified in the agreement.

In June 2020, the City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the rehabilitation of the bridge located at Rio Vista Road at Franklin Canal. The City will be responsible for the adjustment, removal, or relocation of utility facilities, as deemed necessary. The agreement became effective on the date of execution and will remain in effect until completion of the project. The established projected budget amounts to \$1,535,615, out of which \$56,818 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2021, amounted to \$261,764.

In June 2020, the City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the rehabilitation of the bridges located at Bovee Road at Franklin Canal. The City will be responsible for the adjustment, removal, or relocation of utility facilities, as deemed necessary. The agreement became effective on the date of execution and will remain in effect until completion of the project. The established projected budget amounts to \$1,491,316, out of which \$55,179 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2021, amounted to \$197,151.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Texas Department of Transportation (Continued)**

The City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the design and environmental assessment of Nuevo Hueco Tanks in the City of Socorro. The City will coordinate the architectural and engineering services involving the project. The agreement originated in August 2020 and calls for a one-time payment of \$3,251 to begin the project. The agreement established a projected budget of \$3,693,200, out of which \$2,828,000 is the estimated federal match, \$602,949 is the estimated state match, and \$262,251 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2021, amounted to \$1,320,916.

Subsequent to year-end and through the date the financial statements were available to be issued, TXDOT reimbursed the City for construction costs amounting to \$1,366,033. As of September 30, 2021, the City has incurred construction costs related to the projects totaling \$2,070,429. These costs have not been submitted for reimbursement to TXDOT. Management expects the remaining expenses will be approved by TXDOT and income will be recognized when the reporting process is completed.

**County of El Paso**

The City entered into an interlocal agreement with the County of El Paso in which the City received animal control services by and through the El Paso County Sheriff’s Office. The period of the initial contract began on January 1, 2017. The contract was renewed for an additional three-year term, beginning on October 1, 2018, and ending on September 30, 2021. The renewal establishes a contract amount of \$63,455 for each year, to be paid in equal quarterly installments of \$15,864.

**El Paso County Water Improvement District No. 1**

The City entered into an interlocal agreement with the El Paso County Water Improvement District No. 1 (“the District”), for the temporary right of use and easement of various street crossings that are located within the City’s jurisdiction but which right of way belongs to the District. The agreement has a 25-year term beginning in January 2018 and expires December 31, 2042, and may be renewed for additional 25-year periods as considered necessary. The purpose of the easement is for the City to be able to perform construction projects and maintenance improvements on the various street crossings. The City is responsible for performing ongoing maintenance to each of the street crossings, as regularly needed, and shall allow the District to access any of the areas as requested. In consideration for the right of use, the agreement requires an administrative fee of \$6,500 and three payments of \$109,150, beginning in March 2018, due on each anniversary of the agreement. The second and third installments are to be adjusted for inflation based on changes in consumer price indexes. The City’s policy is to capitalize each of the payments made in connection with the land easement as non-depreciable capital assets unless a change in facts and circumstances indicates that the agreement will not be renewed after the initial 25-year period. As of September 31, 2021, all three payments were made by the City and no balances remained outstanding.

(Continued)



**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Other Governmental Agencies**

The City's police department entered into various contracts with the U.S. Marshal Service, the Federal Bureau of Investigation, and the Drug Enforcement Administration, for the purpose of the reimbursement of costs incurred by the City of Socorro Police Department in providing resources to joint operations task forces. These agreements remain in force unless explicitly terminated in writing by either party. Reimbursements received from task force agreements totaled \$16,546 for the year ended September 30, 2021.

**Federal and State Awards**

In the normal course of operations, the City receives grant awards from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Liability for reimbursement of unallowed costs and other non-compliance with grant award contracts, as well as penalties, may arise as the result of these audits.

**Litigation**

The City was involved in a settlement for a suit involving alleged damages to multiple parties as a result of flooding from storm water that occurred in July 2013. From the original group of plaintiffs, one party's claim remained open until November 24, 2020, when the party voluntarily dismissed the entire lawsuit. The City had an expense amounting to \$12,000 in exchange for a release of all claims in March 2022. In addition, the City is party to various legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City and, therefore, no liability was accrued at September 30, 2021.

**Construction Contracts**

The City has contracts with general contractors and professional engineering providers for the design, construction, and supervision of various infrastructure projects. The City expects the contracts to be completed or renewed within a one-year term.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**COMMITMENTS AND CONTINGENCIES (Continued)**

**Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)**

In July 2020, the City entered an interlocal subrecipient grant agreement with the County of El Paso where the City was awarded funds appropriated under the CARES Act. The purpose of this grant is to provide funds to mitigate the financial burden caused by the COVID-19 pandemic by allowing the City to incur expenses for governmental functions and services which qualify under the CARES Act as compensable expenses by the United States Department of the Treasury. The agreement stipulates that a minimum of 75% of its allotment will be spent in the categories of medical expenses, public health expenses and payroll expenses for employees substantially dedicated to mitigating or responding to public emergency. The total allotment to the City amounted to \$1,890,350. Of this amount, \$378,070 was distributed in March 2020 and the remaining \$1,512,280 is to be disbursed on a reimbursable basis. As of September 30, 2021, the City expended \$1,344,638 of CARES funds, out of which \$1,144,296 were spent during the year ended September 30, 2021, and \$200,342 were spent during the year ended September 30, 2020.

In October 2020, the County of El Paso amended the interlocal subrecipient grant to remove the requirement that 75% of grant funds be spent in the categories of medical expenses, public health expenses and payroll expenses. In addition, in November 2020, El Paso County amended the agreement to allow the City to subcontract with vendors, organizations, non-profits and businesses on COVID-19 related matters. In January 2021, the County extended the term of the agreement to December 31, 2021.

In November 2020, the City entered into an agreement with LiftFund Inc. (the “Subrecipient”), with the purpose of supporting small businesses located in the City of Socorro. The program will dedicate \$350,000 to small business recovery grants, which will amount up to \$20,000 per business. The Subrecipient will be paid an administrative fee of 8% in connection with the scope of the program, which began on December 3, 2020, and ended on December 31, 2021.

In March 2021, the City was awarded funds through the U.S. Department of the Treasury under the American Rescue Plan Act. The purpose of the award is to support the City’s response to and recovery from the COVID-19 public health emergency. The term of agreement began on March 3, 2021 and is effective until December 31, 2024. The City received an initial disbursement amounting to \$4,258,201, of which \$700 was spent and \$4,257,502 was recognized as deferred revenue at September 30, 2021.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CONCENTRATION OF REVENUE**

The City depends on financial resources flowing from, or associated with, the constituents of the City, El Paso County, and the State of Texas. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

During the fiscal year ended September 30, 2021, approximately 56% and 12% of the City's total revenues were from property taxes and sales taxes, respectively.

**NEW ACCOUNTING PRONOUNCEMENTS**

On October 1, 2020, the City implemented GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*" The implementation of this Statement did not result in any change in the City's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines-of-credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found on pages 30 through 33.

On October 1, 2020, the City implemented GASB Statement No. 84, "*Fiduciary Activities.*" The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Management has evaluated the criteria established by GASBS No. 84 and has not identified any activities or assets that would require to be reported as fiduciary activities as defined by GASBS No. 84.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

Concurrently with GASB Statements No. 84, “*Fiduciary Activities*,” the City implemented GASB Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.” The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**SUBSEQUENT EVENTS**

The City entered into an agreement with Elite Medical Transport of Texas, LLC (“Elite”) to provide emergency ambulance services to individuals within the city limits. The services are to be provided on a “full time” basis, which constitute 365 days a year for 24 hours a day. In addition, Elite agrees to maintain a full-time dispatch center at 1000 Texas Avenue, El Paso, Texas. Total consideration paid for the emergency services will include quarterly payments of \$41,250. The agreement became effective on October 1, 2021, and runs through September 30, 2023, with the option to renew for two additional years.

During the year ended September 30, 2021, the City restricted funds amounting to \$1,970,663 for the establishment of Transportation Reinvestment Zone Number 1 (“TRZ No.1”). In January 2022, the City entered into an agreement with Camino Real Regional Mobility Authority (“CRRMA”) to dissolve TRZ No.1 and create Transportation Reinvestment Zone Number 2 (TRZ No.2). Funds from TRZ No.1 were transferred to TRZ No.2 and pledged to CRRMA. The funds will remain restricted for the financing and construction of the Nuevo Hueco Tanks Road Expansion project.

In January 2022, the City defeased \$7,430,000 relating to outstanding principal of Tax and Revenue Obligation Series 2014 Certificates (referred to as the “Refunded Obligation”) by placing new bond proceeds from G.O Refunding Bonds, Taxable Series 2022 in an irrevocable trust to provide for future debt service payments on the defeased bonds. At the time of refinance, the outstanding principal less the unrefunded balance on the refunded obligations was re-purchased for a total cost of \$7,151,190. The difference between the refinanced principal at the refinance date and the repurchase price, plus certain debt issuance costs, was recognized as a deferred loss in bond refinancing.

Subsequent events were evaluated through June 16, 2022 which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**Year Ended September 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	\$ 7,302,914	\$7,302,914	\$7,400,364	\$ 97,450
Sales taxes	1,450,000	1,450,000	1,993,152	543,152
Municipal court fines and fees	472,000	472,000	574,495	102,495
Franchise taxes	650,000	650,000	718,393	68,393
Planning and zoning fees	698,500	698,500	985,240	286,740
Charges for services	55,000	55,000	38,591	(16,409)
Investment income	23,600	23,600	1,830	(21,770)
Other income	<u>14,100</u>	<u>14,100</u>	<u>25,538</u>	<u>11,438</u>
 Total revenues	 <u>10,666,114</u>	 <u>10,666,114</u>	 <u>11,737,603</u>	 <u>1,071,489</u>
Expenditures/outflows:				
Public safety	4,626,676	4,655,176	4,258,113	397,063
Infrastructure and environmental	2,869,119	2,888,819	2,852,912	35,907
General government	2,100,039	2,126,480	1,822,745	303,735
Community development	376,535	376,535	356,413	20,122
Health and human services	760,650	761,850	549,241	212,609
Justice system	420,702	424,652	348,757	75,895
Capital outlay	<u>                    </u>	<u>                    </u>	<u>404,235</u>	<u>(404,235)</u>
 Total expenditures	 <u>11,153,721</u>	 <u>11,233,512</u>	 <u>10,592,416</u>	 <u>641,096</u>
 Excess (deficiency) of revenues over (under) expenditures	  (487,607)	  (567,398)	  1,145,187	  1,712,585
 Fund balance, beginning of year	  <u>6,374,288</u>	  <u>6,374,288</u>	  <u>6,374,288</u>	  <u>                    </u>
 Fund balance, end of year	  <u>\$ 5,886,681</u>	  <u>\$5,806,890</u>	  <u>\$7,519,475</u>	  <u>\$ 1,712,585</u>

See notes to required supplementary information.

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND - GRANTS**

**Year Ended September 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Local grants	\$	\$	\$ 54,962	\$ 54,962
Federal and state grants	867,426	867,426	603,234	(264,192)
Franchise taxes			10,251	10,251
Property taxes	300,000	300,000		(300,000)
Charges for services			16,546	16,546
Other income			<u>17,211</u>	<u>17,211</u>
 Total revenues	 <u>1,167,426</u>	 <u>1,167,426</u>	 <u>702,204</u>	 <u>(465,222)</u>
Expenditures/outflows:				
Public safety	596,426	596,426	366,366	230,060
Community development			57,863	(57,863)
Capital outlay	<u>571,000</u>	<u>571,000</u>	<u>243,489</u>	<u>327,511</u>
 Total expenditures	 <u>1,167,426</u>	 <u>1,167,426</u>	 <u>667,718</u>	 <u>499,708</u>
 Revenues over expenditures			 34,486	 34,486
 Fund balance, beginning of year	 <u>270,927</u>	 <u>270,927</u>	 <u>270,927</u>	 <u>                    </u>
 Fund balance, end of year	 <u>\$ 270,927</u>	 <u>\$ 270,927</u>	 <u>\$305,413</u>	 <u>\$ 34,486</u>

See notes to required supplementary information.

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND - CARES**

**Year Ended September 30, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues/inflows:				
Federal and state grants	\$ _____	\$ _____	\$ 1,144,296	\$ 1,144,296
Total revenues	_____	_____	1,144,296	1,144,296
Expenditures/outflows:				
Public safety			20,277	(20,277)
Infrastructure and environmental			347	(347)
General government			1,030,762	(1,030,762)
Community development			4,272	(4,272)
Capital outlay	_____	_____	88,638	(88,638)
Total expenditures	_____	_____	1,144,296	(1,144,296)
Excess of revenues over expenditures				
Fund balance, beginning of year	_____	_____	_____	_____
Fund balance, end of year	\$ _____	\$ _____	\$ _____	\$ _____

See notes to required supplementary information.



**CITY OF SOCORRO, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Budgetary Information – Per the Texas Constitution, the budget officer of the City shall prepare each year a budget to cover the proposed expenditures of the municipal government for the year. The City Council officially adopts the annual budget ordinance and has the authority to amend such ordinances. All budgets are prepared on the budgetary basis of accounting as required by Texas Law.

The budgetary process is prescribed by provisions of Title 4, Chapter 102 of the Local Government Code of the Texas legislature and requires the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting.

The level of budgetary control is at the fund level for the City. Any budgetary modifications at this level may only be made by resolution of the City Council. Under the City’s by-laws, revenues not specifically related to a particular fund shall be deposited into the City’s General Fund. Monies can only be transferred from the General Fund by resolution of the City Council.

The accompanying Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual present comparisons of the legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (“GAAP”); however, total revenues and expenditures have been reconciled to the totals as presented under GAAP.

Estimated Resources – The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by resolution of the City Council. The official estimated resources state the projected revenue of each fund. At the Council’s discretion, estimated resources may include unassigned fund balances available from prior year surplus revenues. All funds are required to be budgeted and appropriated.

On or about October 1, the estimated resources is amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if the City Council determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2021.

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(CONTINUED)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Appropriations – An annual appropriation resolution must be passed by September 15 of the preceding year for the period October 1 to September 30. The appropriation resolution fixes spending authority at the fund and department level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and objects within a fund may be modified during the year only by a resolution of the City Council. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriations in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as final budgeted amounts in the schedules of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

Lapsing of Appropriations – At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**BUDGET OVER-EXPENDITURES**

The City over-expended its budget in the following areas:

General Fund:	
Public safety	<u>\$114,937</u>
Special Revenue Fund – Grants:	
Community development	<u>\$57,863</u>

The Special Revenue Fund – CARES and ARPA were not budgeted for, and therefore, all expenditures were budget over-expenditures as follows:

Special Revenue Fund – CARES	
Public safety	\$ 20,277
Infrastructure	347
General government	1,030,762
Community development	4,272
Capital outlay	<u>88,638</u>
	<u>\$1,144,296</u>

(Continued)

**CITY OF SOCORRO, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(CONTINUED)**

**BUDGET OVER-EXPENDITURES**

The Council made supplemental appropriations of excess revenues subsequent to year-end which were sufficient to cover the current year over-expenditures. The primary over-expenditures were related to police equipment, police salaries, infrastructure improvements, overtime and repairs.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS FUND**

**Year Ended September 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Federal and state grants	\$	\$	\$ 1,366,034	\$ 1,366,034
Investment income			5,874	5,874
Other income			<u>28</u>	<u>28</u>
Total revenues			<u>1,371,936</u>	<u>1,371,936</u>
Expenditures/outflows:				
Infrastructure and environmental			73,557	(73,557)
Debt issuance costs			2,628	(2,628)
Capital outlay	<u>7,900,000</u>	<u>7,900,000</u>	<u>5,489,962</u>	<u>2,410,038</u>
Total expenditures	<u>7,900,000</u>	<u>7,900,000</u>	<u>5,566,147</u>	<u>2,333,853</u>
Deficiency of revenues over expenditures	(7,900,000)	(7,900,000)	(4,194,211)	3,705,789
Fund balance, beginning of the year	<u>7,167,509</u>	<u>7,167,509</u>	<u>7,167,509</u>	
Fund balance, end of year	<u>\$ (732,491)</u>	<u>\$ (732,491)</u>	<u>\$ 2,973,298</u>	<u>\$ 3,705,789</u>

See independent auditors' report.

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND**

**Year Ended September 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	\$1,935,962	\$1,935,962	\$ 1,971,823	\$ 35,861
Proceeds from bond issuance			1,815,000	1,815,000
Other income	_____	_____	<u>1,847</u>	<u>1,847</u>
Total revenues	<u>1,935,962</u>	<u>1,935,962</u>	<u>3,788,670</u>	<u>1,852,708</u>
Expenditures/outflows:				
Principal	1,225,000	1,225,000	1,275,000	(50,000)
Interest	992,575	992,575	941,587	50,988
Refinancing bond escrow			1,765,013	(1,765,013)
Bond issuance costs	_____	_____	<u>49,987</u>	<u>(49,987)</u>
Total expenditures	<u>2,217,575</u>	<u>2,217,575</u>	<u>4,031,587</u>	<u>(1,814,012)</u>
Deficiency of revenues over expenditures	(281,613)	(281,613)	(242,917)	38,696
Fund balance, beginning of the year	<u>749,998</u>	<u>749,998</u>	<u>749,998</u>	_____
Fund balance, end of year	<u>\$ 468,385</u>	<u>\$ 468,385</u>	<u>\$ 507,081</u>	<u>\$ 38,696</u>

See independent auditors' report.

SBNG

**AUDITORS' SECTION**

**SBNG**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Socorro, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Socorro, Texas' basic financial statements and have issued our report thereon dated June 16, 2022.

**Internal Control Over Financial Reporting**

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



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

### **Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Socorro, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2021-001.

### **City of Socorro, Texas' Response to Findings**

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

### **Purpose of this Report**

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

SBNG, PC

El Paso, Texas  
June 16, 2022

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

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

### **Report on Compliance for Each Major Federal Program**

We have audited City of Socorro, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Socorro, Texas' major federal programs for the year ended September 30, 2021. City of Socorro, Texas' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management' Responsibility**

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

### **Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of City of Socorro, Texas' compliance.

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

### **Basis for Qualified Opinion on Highway Planning and Construction, ALN 20.205**

As described in the accompanying schedule of findings and questioned costs, City of Socorro, Texas did not comply with requirements regarding Assistance Listing Number 20.205, Highway Planning and Construction Cluster as described in finding number 2021-001 for allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for City of Socorro, Texas to comply with the requirements applicable to that program.

### **Qualified Opinion on Highway Planning and Construction, ALN 20.205**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Socorro, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster, ALN 20.205, for the year ended September 30, 2021.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, City of Socorro, Texas 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2021.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2021-001. Our opinion on each major federal program is modified with respect to this matter as described in the Basis for Qualified Opinion.

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

### **Report on Internal Control over Compliance**

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

(Continued)

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

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified; however, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

*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.

City of Socorro, Texas' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Socorro, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

SBNG, PC

El Paso, Texas  
June 16, 2022

**CITY OF SOCORRO, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended September 30, 2021

Program Title	Assistance Listing Number	Agency or Pass-Through Number	Contract Period	Award Amount	Amount Expended	Subrecipient Expenditures
<b>FEDERAL EXPENDITURES</b>						
<b>U.S. Department of Transportation</b>						
<i>Passed through Texas Department of Transportation</i>						
Highway Planning and Construction Cluster						
Highway Planning and Construction -						
City of Socorro Arterial 1	20.205	0924-06-563	8/17/2020-completion	\$ 3,052,800	\$ 634,561	\$
Highway Planning and Construction -						
Rio Vista at Franklin Canal	20.205	0924-06-423	8/17/2020-completion	\$ 355,394	94,958	
Highway Planning and Construction -						
Bovee at Franklin Canal	20.205	0924-06-424	8/17/2020-completion	\$ 343,394	42,456	
Highway Planning and Construction -						
Nuevo Hueco Tanks Road Extension	20.205	0924-06-607	9/1/2020-completion	\$ 2,828,000	<u>408,289</u>	_____
Total 20.205					<u>1,180,264</u>	_____
Total Highway Planning and Reconstruction Cluster					<u>1,180,264</u>	_____
<i>Passed through El Paso Metropolitan Planning Organization</i>						
Federal Transit Administration 5310 Program	20.513	TX-2018-011-01	7/24/2018-9/30/2021	\$ 84,665	<u>10,808</u>	_____
Total 20.513					<u>10,808</u>	_____
<b>Total U.S. Department of Transportation</b>					<u>1,191,072</u>	_____

(Continued)

**CITY OF SOCORRO, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(CONTINUED)**

**Year Ended September 30, 2021**

<b>Program Title</b>	<b>Assistance Listing Number</b>	<b>Agency or Pass-Through Number</b>	<b>Contract Period</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Subrecipient Expenditures</b>
<b>FEDERAL EXPENDITURES (Continued)</b>						
<b>U.S. Department of the Treasury</b>						
Asset Forfeiture Program - Department of Treasury Equitable Sharing Funds	21.016	Unknown	10/1/2020-9/30/2021	\$ 11,826	<u>11,826</u>	_____
Total 21.016					<u>11,826</u>	_____
Coronavirus State and Local Fiscal Recovery Fund	21.027	TX4179	3/31/2021-12/31/2024	\$ 8,516,403	<u>700</u>	_____
Total 21.027					<u>700</u>	_____
<b><i>Passed through County of El Paso</i></b>						
COVID-19 - Coronavirus Relief Fund	21.019	2020-0530	12/3/2020-12/31/2021	\$ 1,890,350	\$ 1,144,296	\$ _____
Subrecipient: LiftFund, Inc.		None	12/3/2020-12/31/2020	\$ 350,000	_____	<u>350,000</u>
Total 21.019					<u>1,144,296</u>	<u>350,000</u>
<b>Total U.S. Department of the Treasury</b>					<u>1,156,822</u>	<u>350,000</u>

(Continued)

**CITY OF SOCORRO, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(CONTINUED)**

Year Ended September 30, 2021

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Amount Expended	Subrecipient Expenditures
<b>FEDERAL EXPENDITURES (Continued)</b>						
<b>U.S. Department of Homeland Security</b>						
<i>Passed through Texas Office of the Governor - Homeland Security Grants Division</i>						
El Paso 2019 OPSG	97.067	3007205	3/1/2020-2/28/2021	\$ 72,338	\$ 11,938	\$
El Paso 2020 OPSG	97.067	3007206	3/1/2021-2/28/2022	\$ 61,656	27,923	
Socorro PD SHSP Interoperable Communications	97.067	3738601	9/1/2019-8/31/2021	\$ 25,702	15,542	
Socorro PD SHSP-LETPA Regional Tactical Team	97.067	3999101	9/1/2020-8/31/2021	\$ 60,477	<u>30,650</u>	
Total 97.067					<u>86,053</u>	
<b>Total U.S. Department of Homeland Security</b>					<u>86,053</u>	
<b>U.S. Department of Justice</b>						
<i>Passed through Texas Office of the Governor - Criminal Justice Division</i>						
Violence Against Women Justice and Training Program	16.588	3828801	9/1/2019-10/31/2020	\$ 6,958	<u>6,958</u>	
Total 16.588					<u>6,958</u>	

(Continued)

**CITY OF SOCORRO, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(CONTINUED)**

Year Ended September 30, 2021

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Amount Expended	Subrecipient Expenditures
<b>FEDERAL EXPENDITURES (Continued)</b>						
<b>U.S. Department of Justice (Continued)</b>						
Bulletproof Vest Partnership Program	16.607	Unknown	10/1/2020-9/30/2021	\$ 2,430	<u>2,048</u>	_____
Total 16.607					<u>2,048</u>	_____
COPS Hiring Program	16.710	2020UMWX0203	7/1/2020-6/30/2023	\$ 742,237	<u>121,756</u>	_____
Total 16.710					<u>121,756</u>	_____
<i>Passed through Texas Office of the Governor - Criminal Justice Division</i>						
PD Victim Assistance Program - Year 2	16.575	3828902	10/1/2020-9/30/2021	\$ 39,959	<u>\$ 36,433</u>	<u>\$ _____</u>
Total 16.575					<u>36,433</u>	_____
<i>Passed through Texas Office of the Governor - Criminal Justice Division</i>						
Hot Spot Identification	16.738	4000001	10/1/2020-9/30/2021	\$ 10,705	<u>3,575</u>	_____
Total 16.738					<u>3,575</u>	_____
<b>Total U.S. Department of Justice</b>					<u>170,770</u>	_____

(Continued)



**CITY OF SOCORRO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(CONTINUED)**

Year Ended September 30, 2021

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Amount Expended	Subrecipient Expenditures
<b>FEDERAL EXPENDITURES (Continued)</b>						
<b>U.S. Department of Interior</b>						
<i>Passed through Texas Historical Commission</i>						
Rio Vista Farm Rehabilitation Project	15.904	TX-20-10034	4/1/2020-12/31/2021	\$ 34,500	\$ <u>34,500</u>	\$ _____
Total 15.904					<u>34,500</u>	_____
<b>Total U.S. Department of Interior</b>					<u>34,500</u>	_____
<b>U.S. Department of Housing and Urban Development</b>						
<i>Passed through Texas Department of Agriculture</i>						
<i>CDBG Entitlement Grants Cluster</i>						
Texas Community Development Block Grant Program	14.228	7218460	11/1/2018-6/30/2021	\$ 275,000	<u>199,563</u>	_____
Total CDBG Entitlement Grants Cluster					<u>199,563</u>	_____
<b>Total U.S. Department of Housing and Urban Development</b>					<u>199,563</u>	_____
<b>Total Federal Expenditures</b>					<u>2,838,780</u>	<u>350,000</u>

(Continued)

**CITY OF SOCORRO, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(CONTINUED)**

**Year Ended September 30, 2021**

<b>Program Title</b>	<b>Assistance Listing Number</b>	<b>Agency or Pass-Through Number</b>	<b>Contract Period</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Subrecipient Expenditures</b>
<b>STATE EXPENDITURES</b>						
<b>Texas Comptroller of Public Accounts</b>						
Law Enforcement Officer Standards and Education		Unknown	10/1/2020-9/30/2021	\$ 2,519	<u>\$ 2,519</u>	<u>\$ _____</u>
<b>Total Texas Comptroller of Public Accounts</b>					<u>2,519</u>	<u>_____</u>
<b>Texas Office of the Governor - Homeland Security Grants Division</b>						
Local Border Security Program		3000906	09/01/20-08/31/21	\$ 76,000	<u>74,464</u>	<u>_____</u>
<b>Total Texas Office of the Governor - Homeland Security Grants Division</b>					<u>74,464</u>	<u>_____</u>
<b>Texas Department of Transportation</b>						
Highway Planning and Construction - City of Socorro Arterial 1		0924-06-563	8/17/2020-completion	\$ 480,816	\$ 99,934	
Highway Planning and Construction - Rio Vista at Franklin Canal		0924-06-423	8/17/2020-completion	\$ 72,412	13,931	
Highway Planning and Construction - Bovee at Franklin Canal		0924-06-424	8/17/2020-completion	\$ 69,967	7,599	
Highway Planning and Construction - Nuevo Hueco Tanks Road Extension		0924-06-607	9/1/2020-completion	\$ 602,949	<u>64,306</u>	<u>_____</u>
<b>Total Texas Department of Transportation</b>					<u>185,770</u>	<u>_____</u>

(Continued)

**CITY OF SOCORRO, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(CONTINUED)**

Year Ended September 30, 2021

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Amount Expended	Subrecipient Expenditures
<b>STATE EXPENDITURES (Continued)</b>						
<b>Texas Office of the Governor - Criminal Justice Division</b>						
Rifle Resistant Body Armor		3957101	09/01/20-08/31/21	\$ 12,855	\$ 9,262	\$
Socorro Police Athletics League (PAL)		3997901	09/01/20-08/31/21	\$ 26,314	<u>3,469</u>	<u>          </u>
<b>Total Texas Office of the Governor - Criminal Justice Division</b>					<u>12,731</u>	<u>          </u>
<b>Total State Expenditures</b>					<u>275,484</u>	<u>          </u>
<b>TOTAL FEDERAL AND STATE EXPENDITURES</b>					<u>\$ 3,114,264</u>	<u>\$ 350,000</u>

See notes to schedule of expenditures of federal and state awards.

**CITY OF SOCORRO, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year Ended September 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of City of Socorro, Texas is presented to assist in understanding City of Socorro, Texas' Schedule of Expenditures of Federal and State Awards. The Schedule and notes are representations of City of Socorro, Texas' management, who is responsible for their integrity and objectivity.

Basis of Accounting and Presentation – The Schedule of Expenditures of Federal and State Awards is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Costs – City of Socorro, Texas does not currently have a negotiated indirect cost reimbursement rate approved by a Federal Cognizant Agency; therefore, the City has elected to use the de minimis rate of 10% of modified total direct costs as an indirect cost allocation factor, as allowed under 2C.F.R. §200.414.

Subrecipients – The City passes through certain funds to subgrantee organizations. Expenditures incurred by the subgrantees and reimbursed by the City are presented in the Schedule of Expenditures of Federal and State Awards.

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended September 30, 2021**

**I. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of City of Socorro, Texas.
2. Material weaknesses were reported in the audit of the financial statements of City of Socorro, Texas as reported in the Independent Auditors' 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*.
3. Instances of noncompliance material to the financial statements of City of Socorro, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Material weaknesses in internal control over major federal award programs were identified and reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal programs for City of Socorro, Texas expresses an unmodified opinion on Coronavirus Relief Fund, ALN 21.019, and a qualified opinion on Highway Planning and Construction Cluster, ALN 20.205.
6. There are audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major federal programs were Coronavirus Relief Fund, ALN 21.019, and Highway Planning and Construction Cluster, ALN 20.205.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000 for federal purposes.
9. City of Socorro, Texas did not qualify as a low-risk auditee.

(Continued)

CITY OF SOCORRO, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

Year Ended September 30, 2021

II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH “GOVERNMENT  
AUDITING STANDARDS”

**Finding 2021-001:**

**Lack of adequate documentation to support program expenses  
Highway Planning and Construction  
Allowable Costs/Cost Principles**

**20.205**

**Criteria:** Per §200.403 of the OMB Uniform Guidance, it is the award recipient’s responsibility to establish the appropriate internal controls to ensure allowability of costs, which includes maintaining adequate documentation for each transaction related to award expenditures. In addition, the pass-through entity, Texas Department of Transportation (“TXDOT”), recommends that project progress be monitored and mandates that progress payments be made in accordance with the value of the work performed during a covered period.

**Condition:** During our review of the invoices submitted to TXDOT, it was noted that adequate supporting documentation was not maintained for the expenses billed by the engineering firm contracted for each of the projects. There were two instances where invoice packages submitted by the engineering firm did not contain timesheets for the employees involved in the projects. In addition, various invoices were mathematically incorrect. As a result, TXDOT rejected approximately \$3,718,000 of program expenses submitted for reimbursement. TXDOT requested that the supporting documentation be reviewed and corrected by the City and the engineering firm engaged in the projects. City management implemented a corrective action plan that involves the review by the City’s internal auditor of all reimbursement requests to be resubmitted. After correction and resubmission, TXDOT approved \$1,366,033 for reimbursement. The remaining amount of \$2,351,000 has not been resubmitted to TXDOT and is pending review by the City.

**Cause:** The identified condition was attributable to the following events –

- The Planning Director overseeing the projects resigned during the year ended September 30, 2021.
- Lack of experience managing local participation projects with TXDOT.
- Engineering firm did not submit complete information to the City, including reporting packages and supporting expense documentation.

**Effect:** As a result, the City has not been able to receive reimbursement for approximately \$2.3 million of program expenses. Management initiated a corrective action plan for the collection of pending reimbursements and completion of reporting requirements.

(Continued)

**CITY OF SOCORRO, TEXAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended September 30, 2021**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH “GOVERNMENT  
AUDITING STANDARDS”  
(CONTINUED)**

**Finding 2021-001:**

**Lack of adequate documentation to support program expenses  
Highway Planning and Construction 20.205  
Allowable Costs/Cost Principles**

**Recommendation:** We recommend that management continue enforcing the existing corrective action plan and complete the required training by TXDOT. In addition, we recommend that the City document its policy and implement a process that requires oversight and review of project progress in accordance with the TXDOT manual.

**Management’s response:** Management agrees with auditor recommendation. Refer to Corrective Action Plan.

**III. AUDIT FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

**Finding 2021-001:**

**Lack of adequate documentation to support program expenses  
Highway Planning and Construction 20.205  
Allowable Costs/Cost Principles**

See finding above.

See independent auditors’ report.

**CITY OF SOCORRO, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended September 30, 2021**

**I. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH “GOVERNMENT  
AUDITING STANDARDS”**

**Prior Year Findings: None**

See independent auditors’ report.



**CITY OF SOCORRO, TEXAS**  
**CORRECTIVE ACTION PLAN**  
**Year Ended September 30, 2021**

**Finding 2021-001:**

**Lack of adequate documentation to support program expenses**  
**Highway Planning and Construction** **20.205**  
**Allowable Costs/Cost Principles**

**Management’s view:** Our perspective is that despite our initial efforts to provide adequate oversight over the review and processing of invoices submitted to TXDOT for this project, it became apparent that the Engineering firm was struggling to provide us with the correct and sufficient information in order to properly compile and submit information to TXDOT in a timely and effective manner, and in compliance with the adequate support documentation requirements. Several discussions with the firm ensued; however, progress was nominal. In late April of 2021, the City Planner who was spearheading this project for the city resigned and left a void of information and familiarity with the project. Unfortunately, the Engineering firm was also left with a situation where their project manager on this project was no longer at the firm and left a void there as well. We are currently rallying with different personnel on both our reviews and the Engineering firms’ submittals and are making progress in a more acceptable way.

**Proposed corrective action:** Currently the City Auditor is reviewing documentation, coordinating efforts with new project manager of the Engineering firm and is very much aware of the requirements of the grant documentation support. We will also be sending personnel to train so as to be more proficient in reviewing and analyzing such data.

**Anticipated correction date:** The City Auditor took on this responsibility in February of 2022. In addition to the above, the City Auditor and other members of the city will be attending Local Government Project Procedures Qualification TXDOT training, as soon as attendance for these classes becomes available, to be more familiar with the grant requirements and processes. The anticipated date for this training is September of 2022.

**Responsible official:** The City Auditor reports directly to the City Manager who is the Responsible Official.