

CITY OF SOCORRO, TEXAS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2025

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CITY OF SOCORRO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2025

As management of City of Socorro, Texas, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider this information in conjunction with the basic financial statements.

Fund-based financial reporting and government-wide reporting are not viewed as being in conflict; however, they are not comparable. A significant portion of this analysis focuses on the changes in the government-wide statements, while still providing information on the City's fund-based comparative changes.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025

- The City's total assets amounted to \$93,592,584. This represents an increase of 4% from the prior year.
- Total assets and deferred outflows of resources exceeded liabilities by \$58,672,974 (net position). This represents an increase of 14% from the prior year.
- Total capital assets, net of accumulated depreciation amounted to \$69,185,878. This represents an increase of 12% from the prior year.
- Unrestricted net position, available to meet the City's ongoing obligations, totaled \$10,425,662. The amount invested in capital assets, net of related debt, totaled \$40,525,245. Restricted net position was \$7,722,107. This represents a decrease of 9%, an increase of 30%, and a decrease of 12% from the prior year, respectively.
- The City's governmental fund balance sheet shows a combined ending fund balance of \$16,137,782, a decrease of \$2,141,831 or 12% compared to the prior year fund balance.
- Total liabilities amounted to \$35,188,329 of which \$8,100,953 is due in less than one year. This represents a decrease of \$3,578,363 and a decrease of \$1,752,645, respectively, compared to the prior year.
- General Fund revenues were approximately 6% more than budgeted and actual expenses were less than budgeted expenses by approximately 0.6%, resulting in an overall decrease in the fund balance of the General Fund of \$779,213.
- The City's primary source of revenue comes from property taxes levied for general purpose and debt service, which amounted to \$14,654,879 in the current fiscal year. This represents approximately a 10% increase in comparison to the amount of property tax revenue in the prior fiscal year. Total revenues amounted to \$26,659,631, which represented an increase of \$1,697,643 from the prior year or 7%.

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**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025
(CONTINUED)**

- Total debt service expenditures for the year amounted to \$2,346,057, which represents an increase of 4% from prior year. The combined outstanding balance in bonds payable, compensated absences, and right-of-use leases and subscription liabilities was \$29,038,368 at the end of the fiscal year.
- The City's revenues from sales taxes amounted to \$2,571,697 during 2025. Total sales taxes increased by approximately 2% from the prior year primarily due to an increase in commercial sales revenue in the City's jurisdiction.
- The City invested \$9,830,009 in infrastructure, software, and vehicles, resulting in a 12% increase in capital assets, net of accumulated depreciation. The Capital Improvements Fund maintains proceeds from Combination Tax and Revenue Series 2019 Certificates of Obligation, which have been committed by City ordinance to be issued in infrastructure projects included in the Capital Improvements Master Plan. The City's Capital Improvement Fund provided \$3,408,209 for infrastructure. At the end of the fiscal period, the remaining fund deficit in the Capital Improvements Fund was \$(300,024), representing a 153% decrease from the prior year due to capital outlay expenditures. At September 30, 2025, the Capital Improvements Fund owed \$2,092,631 to the General Fund for advances provided to complete infrastructure projects and provide for local participation match on TxDOT projects.
- The City reports deferred inflows of resources on its general fund and debt service fund. Deferred inflows of resources represent an acquisition of fund balance that applies to a future period which will not be recognized as an inflow of resources until that time. Unavailable revenues in the amount of \$2,164,063 at September 30, 2025, represent the portion of property tax revenue and court fees receivable not collected within 60 days following the end of the fiscal year. This represents an increase of 6% from the prior year.
- At September 30, 2025, total deferred outflows related to retirement of bonds was \$268,719, which represents an increase of \$30,120 from the previous year.
- The City received \$5,536,377 in operating grants and contributions. This represents an increase of \$470,001 or 9% from the previous year. This increase is attributed to an increase in expenditures for federal and state awards received from the Texas Department of Transportation.
- The City's deferred revenue decreased by \$2,035,537, or 30%. This is due to a portion of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) being spent on construction and other eligible expenses.
- The City is currently in the process of negotiating an Intergovernmental Support Agreement (IGSA) to provide custodial services for Fort Bliss.
- The City is currently preparing to adopt an ordinance authorizing the issuance of interest-bearing certificates of obligation, in one or more series, in an amount not to exceed \$15,000,000.

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OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes, in this report, additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the City and are similar to private sector financial statements. The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements appear on pages 20 through 21 of this report.

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position as of September 30, 2025. Net position is shown in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year ended September 30, 2025. It provides a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event, which contributes to the change, occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

Both statements attempt to distinguish functions of the City that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees. The governmental activities of the City include general government, public safety, infrastructure and environmental, community development, health and human services, and justice system. The City does not engage in any business-type activities.

The government-wide financial statements not only include the City itself, but also its component unit, City of Socorro Community Initiative. The component unit is blended with the City's operations. More information can be found on pages 29 and 30.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City only has governmental funds. The governmental funds financial statements are on pages 22 through 28.

The City's finances are segregated into four types of funds: General Fund, Special Revenue Funds, Debt Service Fund, and Capital Improvements Funds.

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FUND FINANCIAL STATEMENTS (CONTINUED)

The General Fund reflects revenues and expenditures to provide all the basic City services to the community, such as public safety, general government, health and human services, infrastructure and environmental and community development.

The Special Revenue Funds are utilized to recognize and segregate revenues derived from grants and payments from other agencies not included in the General Fund. Grant revenues accounted for in the Special Revenue Funds have been restricted for specific uses by external authorities or regulation.

The Debt Service Fund is utilized to account for the payment of general long-term debt principal, interest, and related costs.

The Capital Improvements Funds are utilized to account for the use of reserved funds for the costs of infrastructure and other development projects. The balance remaining in these funds has been designated for these purposes by the City Council Members and its activity is not included in the General Fund.

The City does not maintain any Proprietary Funds.

Governmental funds are used to account for essentially the same functions of those reported in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. These funds are reported using an accounting method named *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near-future to finance the City's programs.

The focus of governmental funds is narrower than that of government-wide financial statements; therefore, it can be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations have been provided as a link between the governmental fund statements and the government-wide financial statements to assist in this comparison. Pages 24 and 28 provide a reconciliation of the balance sheet of governmental funds to the statement of net position as well as a reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 59 of this report.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules for its General Fund and its major Special Revenue Funds, for which a budget has been approved by City Council. The report also includes other supplementary information consisting of the City's budgetary comparison schedules for its Capital Improvements Funds and its Debt Service Fund. The required and other supplementary information can be found on Pages 60 through 70.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole. The City's net position (total assets and deferred outflows less liabilities and deferred inflows) at fiscal year-end totaled \$58,672,974 reflecting an increase of \$7,196,356 compared to the previous fiscal year. The table below summarizes the City's total assets, deferred outflows or inflows of resources, liabilities and net position for the fiscal years ended September 30, 2025 and 2024.

Net Position

	<u>Governmental Activities</u>	
	<u>09/30/25</u>	<u>09/30/24</u>
Cash and cash equivalents	\$ 697,855	\$ 572,207
Restricted cash	11,205,894	11,543,373
Investments	6,835,802	10,209,360
Receivables (taxes, grants, other miscellaneous), net	5,505,339	5,286,441
Prepaid expenses	107,144	36,374
Other assets	54,672	625,752
Capital assets, net of accumulated depreciation	69,185,878	61,731,204
Deferred outflows of resources	<u>268,719</u>	<u>238,599</u>
Total assets and deferred outflows of resources	<u>93,861,303</u>	<u>90,243,310</u>

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position (Continued)

Short-term liabilities	\$ 8,100,953	\$ 9,853,598
Long-term liabilities	<u>27,087,376</u>	<u>28,913,094</u>
Total liabilities	<u>35,188,329</u>	<u>38,766,692</u>
Net position:		
Invested in capital assets, net of related debt	40,525,245	31,262,941
Restricted	7,722,107	8,772,330
Unrestricted	<u>10,425,622</u>	<u>11,441,347</u>
Total net position	<u>\$58,672,974</u>	<u>\$51,476,618</u>

Other indicators of the City’s financial position and performance are revenues; program, general and restricted, and budget performance. Comparison of this indicator data as they are accumulated over the years may provide the reader with information of developing trends in the City’s financial health.

For fiscal year 2025, the City collected \$26,659,631 in revenues from all sources, while expending \$19,463,275, resulting in a net increase in financial position. The table below summarizes the fiscal years 2025 and 2024 revenues and expenses for the City.

Change in Net Position

	<u>Year Ended</u>	
	<u>09/30/25</u>	<u>09/30/24</u>
Charges for services, fees, fines and forfeitures	\$ 2,028,997	\$ 2,289,879
Operating grants and contributions	<u>5,536,377</u>	<u>5,066,376</u>
Total program revenues	<u>7,565,374</u>	<u>7,356,255</u>
Property taxes	14,654,879	13,380,317
Sales taxes	2,571,697	2,511,934
Franchise taxes	951,329	962,320
Investment income	422,721	647,871
Other income	<u>493,631</u>	<u>103,291</u>
Total general revenues	<u>19,094,257</u>	<u>17,605,733</u>
Total revenues	<u>26,659,631</u>	<u>24,961,988</u>

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Change in Net Position
(Continued)**

	<u>Year Ended</u>	
	<u>09/30/25</u>	<u>09/30/24</u>
Public safety	\$ 7,306,952	\$ 6,013,282
Infrastructure and environmental	5,302,715	5,767,580
General government	3,698,605	3,644,511
Community development	1,145,043	1,197,165
Health and human services	1,110,821	651,871
Interest on long-term debt	504,973	543,739
Justice system	<u>394,166</u>	<u>430,289</u>
Total expenses	<u>19,463,275</u>	<u>18,248,437</u>
Change in net position	\$ <u>7,196,356</u>	\$ <u>6,713,551</u>

Governmental Activities

The largest ongoing revenue source for the City's governmental activities is property taxes of \$14,654,879 which represents 55% of total revenues. Another significant source of revenue for governmental activities are grants and contributions. The grants and contributions revenue totals \$5,536,377 or 21% of total revenues for governmental activities. Additional significant sources of revenue for governmental activities are sales and franchise taxes of \$3,523,026 or 13% of total revenues for governmental activities.

The largest expenditure categories among governmental activities were public safety and infrastructure and environmental totaling \$7,306,952 and \$5,302,715, respectively. The public safety expenditure category represents 38% of total expenditures and includes the cost of the City providing police protection to residents. The infrastructure and environmental expenditure category represents 27% of total expenditures mainly due to ongoing construction projects.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents the cost of each of the City’s programs, as well as each program’s net cost (total cost less fees generated by the activities). The net cost shows the financial burden placed on the City’s taxpayers for each of these functions.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>09/30/25</u>	<u>09/30/24</u>	<u>09/30/25</u>	<u>09/30/24</u>
Public safety	\$ 7,306,952	\$ 6,013,282	\$ 6,608,986	\$ 5,281,406
Infrastructure and environmental	5,302,715	5,767,580	1,029,396	536,523
General government	3,698,605	3,644,511	1,699,454	2,823,456
Community development	1,145,043	1,197,165	1,017,230	1,026,232
Health and human services	1,110,821	651,871	1,110,821	651,871
Interest on long-term debt	504,973	543,739	504,973	543,739
Justice system	<u>394,166</u>	<u>430,289</u>	<u>(72,959)</u>	<u>28,955</u>
Totals	<u>\$19,463,275</u>	<u>\$18,248,437</u>	<u>\$11,897,901</u>	<u>\$10,892,182</u>

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As noted above, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The City’s governmental fund statements show a combined ending fund balance of \$16,137,782, a decrease of \$2,141,831 compared to the prior year fund balance. Of this amount, \$5,024,182 (31%) constitutes unassigned fund balance, which is available for spending at the City’s discretion. Of the total fund balances, \$11,006,456 (68%) is restricted for statutory requirements or committed for City Council purposes. Less than 1% (or \$107,144) of the combined ending fund balance represents prepaid expenses in non-spendable form.

(Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

As mentioned earlier, the General Fund is the chief operating fund of the City. The ending fund balance in the General Fund is \$8,699,230, a decrease of \$779,213 compared to the prior year fund balance. Of this amount, \$5,333,949 (61%) is unassigned and available for spending at the City's discretion. Of the remaining fund balances, \$3,284,349 (38%) is committed for City Council purposes and \$80,932 (less than 1%) is in non-spendable form.

The City's 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. The ending fund balance was \$359,652, a decrease of \$42,263 when compared to prior year and is classified as restricted.

The City's 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. The ending fund balance was \$628,535, an increase of \$124,906 when compared to prior year and is classified as restricted.

The City's Special Revenue Fund – TRZ receives 100% of the City's portion of the tax increment and a percentage of the tax increment that each taxing unit elects to dedicate to the Tax Reinvestment Zone (TRZ), which is then used to foster new development in the City. The ending fund balance was \$8,095, an increase of \$2,960 when compared to prior year and is classified as restricted.

The City's 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. The fund balance at year-end was \$672,664, a decrease of \$44,826 compared to the prior year. Of this amount, \$16,469 is classified as non-spendable. The remaining \$656,195 is classified as restricted.

The City's Capital Improvements 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. The Capital Improvements Fund has a payable to the general fund in the amount of \$2,092,631 which was used to cover expenditures during fiscal year 2025 and therefore caused a deficit of \$(309,767) in the fund's unassigned balance. The deficit has been classified as unassigned fund balance for the year ended September 30, 2025. The remaining fund balance of \$9,743 is classified as non-spendable.

The City's Capital Improvements Fund - TWDB is used to account for and report financial resources that are held in-trust and have been restricted to be used for flooding control infrastructure projects that are funded by bond proceeds that have been loaned by the Texas Water Development Board. The ending fund balance was \$5,965,025, an increase of \$2 when compared to prior year and is classified as restricted.

The City's Non-Major Fund includes the activity from the City of Socorro Community Initiative, the City's blended component unit, and had a fund balance of \$104,605, a decrease of \$538,797 over the prior year and is classified as restricted.

(Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

**Year-End Governmental Fund Balances
September 30,**

	<u>2025</u>	<u>2024</u>
General Fund	\$ 8,699,230	\$ 9,478,443
Special Revenue Fund – Grants	359,652	401,915
Special Revenue Fund – ARPA	628,535	503,629
Special Revenue Fund – TRZ	8,095	5,135
Special Revenue Fund – TWDB	0	0
Debt Service Fund	672,664	717,490
Capital Improvements Fund	(300,024)	564,576
Capital Improvements Fund - TWDB	5,965,025	5,965,023
Non-Major Fund	<u>104,605</u>	<u>643,402</u>
Combined fund balances	<u>\$16,137,782</u>	<u>\$18,279,613</u>

The 12% decrease in overall fund balance is primarily attributed to an overall increase in expenses from the previous year.

Revenue Sources

Governmental fund revenues for the fiscal year ended September 30, 2025 and a comparison with the governmental fund revenues in the prior fiscal year are as follows:

	<u>2025</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2024</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Property taxes	\$14,525,726	54.7%	\$1,241,063	9.3%
Federal and state grants	5,499,948	20.8%	522,721	10.5%
Sales taxes	2,571,697	9.7%	59,763	2.4%
Planning and zoning fees	1,558,254	5.9%	(325,473)	(17.3)%
Franchise taxes	951,329	3.6%	(10,991)	(1.1)%
Municipal court fines and fees	471,659	1.8%	56,458	13.6%
Charges for services	3,618	0%	(1,200)	(24.9)%
Local grants	36,429	0.1%	(52,720)	(59.1)%
Investment income	422,721	1.5%	(225,150)	(34.8)%
Other income	<u>493,631</u>	<u>1.9%</u>	<u>390,340</u>	<u>377.9%</u>
Total	<u>\$26,535,012</u>	<u>100%</u>	<u>\$1,654,811</u>	<u>6.7%</u>

(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund budgeted revenue for fiscal year September 30, 2025, totaled \$14,878,004. This was an increase of \$1,245,956 over the prior year budget. A budgeted increase in property taxes, and planning and zoning fees were the primary drivers in the revenue increase. The increase in budgeted appropriations was attributed primarily to maintaining salaries and accounting for cost-of-living adjustments, various capital projects, as well as economic recovery and public health programs.

The amendments to the General Fund adopted budget during the 2025 fiscal year were reclassifications between department and capital expenditures. The amendments resulted in a decrease in total budgeted appropriations of \$44,364.

The City's annual budget reflects the financial commitment to services and improvements by the governing body. As such, budget performance at the end of the fiscal year may be used as an indicator of the City's progress toward stated goals and objectives. During fiscal year 2025, the City expended \$100,904 less than budgeted in the General Fund.

Final Budget Versus Actual Results General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	\$ 9,757,654	\$ 9,757,654	\$ 9,887,859	\$130,205
Sales taxes	2,460,000	2,460,000	2,571,697	111,697
Planning and zoning fees	1,075,000	1,075,000	1,558,254	483,254
Franchise taxes	850,000	850,000	943,445	93,445
Municipal court fines and fees	462,500	462,500	471,659	9,159
Investment income	240,200	240,200	274,002	33,802
Charges for services	14,500	14,500	3,618	(10,882)
Other income	<u>18,150</u>	<u>18,150</u>	<u>132,126</u>	<u>113,976</u>
Total revenues	<u>\$14,878,004</u>	<u>\$14,878,004</u>	<u>\$15,842,660</u>	<u>\$964,656</u>
Expenditures/outflows:				
Public safety	6,317,177	6,597,085	6,556,241	40,844
Infrastructure	4,425,176	3,558,740	3,323,369	235,371
General government	4,090,046	4,253,501	3,435,841	817,660
Health and human services	880,200	1,112,700	1,110,821	1,879
Community development	699,190	971,689	823,858	147,831
Justice system	524,993	398,703	394,166	4,537
Debt service			96,572	(96,572)
Capital outlay	<u> </u>	<u> </u>	<u>1,050,646</u>	<u>(1,050,646)</u>
Total expenditures	<u>\$16,936,782</u>	<u>\$16,892,418</u>	<u>\$16,791,514</u>	<u>\$ 100,904</u>

(Continued)

CAPITAL ASSETS

The City’s financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings and equipment) and those not subject to depreciation (such as land and construction in progress).

The City’s investment in capital assets for its governmental activities was \$69,185,878 net of accumulated depreciation. Major capital asset events during the current fiscal year included the following:

- The City had an increase in construction in progress of \$8,714,607, the majority of which was due to ongoing projects such as the Nuevo Hueco Tanks Road Expansion, Arterial 1, Bovee Bridge, and the Socorro Sidewalk project.
- The City’s investment in software increased by approximately \$243,743 primarily due to the purchase of planning and zoning software.
- The City’s investment in vehicles decreased by approximately \$193,046. Of this amount, the City invested \$305,804 to purchase ADA vehicles. This increase was offset by a disposal of approximately \$498,850 fully depreciated police vehicles.
- The City had an increase in right-of-use subscription assets of \$169,641 related to a cyber security software subscription.

Capital assets held by the City are summarized as follows:

Capital assets, net of accumulated depreciation

	<u>09/30/25</u>	<u>09/30/24</u>
Land	\$ 3,037,132	\$ 3,037,132
Construction in progress	28,027,448	19,312,841
Infrastructure	32,722,334	33,765,275
Machinery and equipment	882,664	936,320
Buildings	2,460,669	2,521,522
Vehicles	1,227,715	1,446,140
Furniture	99,111	132,353
Leasehold improvements	68,896	73,351
Computer equipment	229,495	110,697
Right-of-use lease assets	102,914	129,190
Right-of-use subscription assets	<u>327,500</u>	<u>266,383</u>
Total capital assets, net	<u>\$69,185,878</u>	<u>\$61,731,204</u>

Additional information on the City’s capital assets can be found in the notes to the financial statements on Pages 43 through 44.

(Continued)

LONG-TERM DEBT

At the end of the fiscal year, the City had long-term debt outstanding in the amount of \$29,038,368. The City's debt is composed of general obligation bonds, leases, subscription liabilities, and accrued compensated absences at September 30, 2025. The following table shows the change in long-term debt from 2024 to 2025:

Long-Term Debt			
Year Ended September 30,			
	<u>2025</u>	<u>2024</u>	<u>Change</u>
Due within one year:			
Right-of-use lease liabilities	\$ 20,069	\$ 19,232	\$ 837
Right-of-use subscription liabilities	74,063	18,743	55,320
Compensated absences	119,860	110,739	9,121
Bonds payable	<u>1,737,000</u>	<u>1,702,000</u>	<u>35,000</u>
	<u>1,950,992</u>	<u>1,850,714</u>	<u>100,278</u>
Due in more than one year:			
Right-of-use lease liabilities	65,604	85,673	(20,069)
Right-of-use subscription liabilities	98,139	61,158	36,981
Bonds payable, net	<u>26,923,633</u>	<u>28,766,263</u>	<u>(1,842,630)</u>
	<u>27,087,376</u>	<u>28,913,094</u>	<u>(1,825,718)</u>
Total	<u>\$29,038,368</u>	<u>\$30,763,808</u>	<u>\$(1,725,440)</u>

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements on Pages 45 through 51 of this report.

ECONOMIC FACTORS AND FUTURE PLANS

The City's financial condition remains stable with sufficient resources to sustain current service levels while supporting strategic growth initiatives. The City's elected officials considered many factors when setting the fiscal year 2025-2026 total budget. These factors include expanded capacity to invest in infrastructure, public safety, and employee compensation while maintaining required reserves in the General Fund of at least 16.67% of annual expenditures. Improvements in financial management, including continued refinement of the budget process and use of fund accounting, support enhanced monitoring of revenues and expenditures and provide management with better tools for oversight and control. The City's commitment to competitive employee compensation, including step and merit increases and the addition of key new positions, is intended to support service quality while remaining within sustainable financial parameters.

(Continued)

ECONOMIC FACTORS AND FUTURE PLANS (CONTINUED)

Continuing revenue growth is projected, driven primarily by the General Fund and new intergovernmental partnerships. A key driver of future economic activity is an Intergovernmental Support Agreement to provide custodial services at Fort Bliss, which is expected to impact the budget by approximately \$4.7 million and create a new department and employment opportunities within the City. These revenue streams, together with modest growth in special revenue funds and careful management of debt service requirements, position the City to remain on solid financial footing while responding to community needs.

The City's future plans emphasize long-term capital investment, transportation and mobility, public health, and quality-of-life enhancements. The fiscal year 2025-2026 budget continues funding for multi-phase sidewalk and street improvements and other infrastructure projects, while also supporting the launch and growth of a new transit system and efforts to obtain direct federal transit funding. To further advance these goals, the City has given notice of its intention to issue up to \$15,000,000 in Certificates of Obligation to fund additional street, sidewalk, drainage, solid waste, public works, police, and park and recreation projects, with repayment from ad valorem taxes and surplus park revenues. Collectively, these initiatives are intended to stimulate continued growth, enhance public services, and support long-term economic vitality for residents and businesses in the City.

REQUESTS FOR INFORMATION

Questions concerning this analysis, or the financial statements should be directed to the City Clerk, at 915-858-2915 or by mail to: City of Socorro, Texas, Attn: City Clerk, 124 S. Horizon Blvd., Socorro, Texas 79927.

Honorable Mayor Rudy Cruz, Jr.
City of Socorro, Texas

CITY OF SOCORRO, TEXAS

PRINCIPAL OFFICIALS

Name

Title

Rudy Cruz, Jr.

Mayor

City Council

Ruben Reyes

At Large Representative

Cesar Nevarez

District 1 Representative

Alejandro Garcia

District 2 Representative

Maria "Gina" Cordero

District 3 Representative

Irene Rojas

District 4 Representative

City Administration

Adriana Rodarte

City Manager

Olivia Navarro

City Clerk

Lourdes Gomez

City Finance Director

INDEPENDENT AUDITOR’S REPORT

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on the Audit of the Financial Statements

Opinions

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 as of and for the year ended September 30, 2025, 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.

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, 2025, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(Continued)

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Budgetary Comparison for the General Fund and the Special Revenue Funds as shown on pages 1 through 14 and 60 through 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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, capital improvements fund – TWDB, and debt service fund, and the accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison for the capital improvements fund, the budgetary comparison for the capital improvements fund – TWDB, the budgetary comparison for the debt service fund, and the schedule of expenditures of federal 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 capital improvements fund – TWDB, the budgetary comparison for the debt service fund, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2026, 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
March 19, 2026

CITY OF SOCORRO, TEXAS
STATEMENT OF NET POSITION
September 30, 2025

<u>ASSETS</u>	Governmental Activities
Cash and cash equivalents	\$ 697,855
Restricted cash	11,205,894
Investments	6,835,802
Taxes receivable	2,976,286
Grants receivable	2,329,195
Other receivables, net	199,858
Prepaid expenses	107,144
Other assets	5,000
Beneficial interest in investments held in-trust	49,672
Non-depreciable capital assets	31,064,580
Depreciable capital assets, net of accumulated depreciation	<u>38,121,298</u>
Total assets	<u>93,592,584</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u> 	
Deferred outflows of resources related to loss from retirement of bond	<u>268,719</u>
Total deferred outflows of resources	<u>268,719</u>
 <u>LIABILITIES</u> 	
Accounts payable	806,309
Accrued liabilities	503,706
Deferred revenue	4,839,946
Due within one year:	
Right-of-use lease liabilities	20,069
Right-of-use subscription liabilities	74,063
Compensated absences	119,860
Bonds payable	1,737,000
Due in more than one year:	
Right-of-use lease liabilities	65,604
Right-of-use subscription liabilities	98,139
Bonds payable, net	<u>26,923,633</u>
Total liabilities	<u>35,188,329</u>
 <u>NET POSITION</u> 	
Net position:	
Invested in capital assets, net of related debt	40,525,245
Restricted	7,722,107
Unrestricted	<u>10,425,622</u>
Total net position	<u>\$ 58,672,974</u>

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

CITY OF SOCORRO, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2025

<u>FUNCTIONS/PROGRAMS</u>	<u>Direct Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expenses) and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services, Fees, Fines and Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Public safety	\$ 7,306,952	\$	\$ 697,966	\$	\$ (6,608,986)
Infrastructure and environmental	5,302,715	1,558,254	2,715,065		(1,029,396)
General government	3,698,605	3,618	1,995,533		(1,699,454)
Community development	1,145,043		127,813		(1,017,230)
Health and human services	1,110,821				(1,110,821)
Interest on long-term debt	504,973				(504,973)
Justice system	<u>394,166</u>	<u>467,125</u>	<u> </u>	<u> </u>	<u>72,959</u>
Total governmental activities	<u>\$ 19,463,275</u>	<u>\$ 2,028,997</u>	<u>\$ 5,536,377</u>	<u>\$</u>	<u>(11,897,901)</u>
		General revenues:			
		Property taxes			14,654,879
		Sales taxes			2,571,697
		Franchise taxes			951,329
		Investment income			422,721
		Other income			<u>493,631</u>
		Total general revenues			<u>19,094,257</u>
		Change in net position			7,196,356
		Net position, beginning of year			<u>51,476,618</u>
		Net position, end of year			<u>\$ 58,672,974</u>

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

CITY OF SOCORRO, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2025

	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-ARPA</u>	<u>Special Revenue Fund-TRZ</u>	<u>Special Revenue Fund-TWDB</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Capital Improvements Fund - TWDB</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>										
Cash and cash equivalents	\$ 513,741	\$ 129,181	\$	\$	\$	\$	\$	\$	\$ 54,933	\$ 697,855
Restricted cash	4,862	831,542	278,482		3,433,281	625,333	67,369	5,965,025		11,205,894
Investments	4,453,051		2,382,546				205			6,835,802
Taxes receivable	2,607,436					368,850				2,976,286
Due from other funds	3,684,761	280,201	171,063	8,095			34,586			4,178,706
Grants receivable		452,086					1,877,109			2,329,195
Other receivables, net	199,858									199,858
Beneficial interest in investments held in trust								49,672		49,672
Prepaid expenses	80,932					16,469	9,743			107,144
Total assets	\$ 11,544,641	\$ 1,693,010	\$ 2,832,091	\$ 8,095	\$ 3,433,281	\$ 1,010,652	\$ 1,989,012	\$ 5,965,025	\$ 104,605	\$ 28,580,412
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ 234,451	\$ 116,895	\$ 258,558	\$	\$	\$	\$ 196,405	\$	\$	\$ 806,309
Accrued liabilities	453,606									453,606
Deferred revenue	4,843		1,401,822		3,433,281					4,839,946
Due to other funds	310,461	1,216,463	543,176			15,975	2,092,631			4,178,706
Total liabilities	1,003,361	1,333,358	2,203,556		3,433,281	15,975	2,289,036			10,278,567
Deferred inflows of resources:										
Deferred property taxes	1,706,344					322,013				2,028,357
Deferred court fees	135,706									135,706
Total deferred inflows of resources	1,842,050					322,013				2,164,063

(Continued)

CITY OF SOCORRO, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2025

<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)</u>	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-ARPA</u>	<u>Special Revenue Fund-TRZ</u>	<u>Special Revenue Fund-TWDB</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Capital Improvements Fund - TWDB</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
Fund balances:										
Nonspendable	\$ 80,932	\$	\$	\$	\$	\$ 16,469	\$ 9,743	\$	\$	\$ 107,144
Restricted for:										
Debt service						656,195				656,195
Capital projects							5,965,025	104,605		6,069,630
Federal and state mandated programs		359,652	628,535							988,187
Transportation Reinvestment Zone #1				8,095						8,095
Committed for:										
Capital improvements	485,204									485,204
Minimum fund balance	2,799,145									2,799,145
Unassigned	<u>5,333,949</u>						<u>(309,767)</u>			<u>5,024,182</u>
Total fund balances	<u>8,699,230</u>	<u>359,652</u>	<u>628,535</u>	<u>8,095</u>		<u>672,664</u>	<u>(300,024)</u>	<u>5,965,025</u>	<u>104,605</u>	<u>16,137,782</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,544,641</u>	<u>\$ 1,693,010</u>	<u>\$ 2,832,091</u>	<u>\$ 8,095</u>	<u>\$ 3,433,281</u>	<u>\$ 1,010,652</u>	<u>\$ 1,989,012</u>	<u>\$ 5,965,025</u>	<u>\$ 104,605</u>	<u>\$ 28,580,412</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, 2025

Total fund balances of governmental funds in the balance sheet		\$ 16,137,782
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 and right-of-use assets	94,938,234	
Accumulated depreciation and amortization	<u>(25,752,356)</u>	69,185,878
Deposits on-hand are not considered current financial resources and not presented in the governmental funds		
		5,000
Deferred losses 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.		
		268,719
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	2,028,357	
Deferred court fees	<u>135,706</u>	2,164,063
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	(28,660,633)	
Compensated absences	(119,860)	
Right-of-use lease liabilities	(85,673)	
Right-of-use subscription liabilities	(172,202)	
Accrued interest	<u>(50,100)</u>	<u>(29,088,468)</u>
Total net position of governmental activities		<u>\$ 58,672,974</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, 2025

<u>REVENUES</u>	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-ARPA</u>	<u>Special Revenue Fund-TRZ</u>	<u>Special Revenue Fund-TWDB</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Capital Improvements Fund - TWDB</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
Property taxes	\$ 9,887,859			\$ 2,336,636		\$2,301,231				\$ 14,525,726
Federal and state grants		1,159,658	2,026,864				2,313,426			5,499,948
Sales taxes	2,571,697									2,571,697
Planning and zoning fees	1,558,254									1,558,254
Franchise taxes	943,445	7,884								951,329
Municipal court fines and fees	471,659									471,659
Charges for services	3,618									3,618
Local grants									36,429	36,429
Investment income	274,002		147,045				9	2	1,663	422,721
Other income	<u>132,126</u>	<u>14,454</u>					<u>347,051</u>			<u>493,631</u>
Total revenues	<u>15,842,660</u>	<u>1,181,996</u>	<u>2,173,909</u>	<u>2,336,636</u>		<u>2,301,231</u>	<u>2,660,486</u>	<u>2</u>	<u>38,092</u>	<u>26,535,012</u>

(Continued)

CITY OF SOCORRO, TEXAS

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

Year Ended September 30, 2025

<u>EXPENDITURES</u>	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-ARPA</u>	<u>Special Revenue Fund-TRZ</u>	<u>Special Revenue Fund-TWDB</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Capital Improvements Fund - TWDB</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
Public safety	\$ 6,556,241	\$ 459,419	\$	\$	\$	\$	\$	\$	\$	\$ 7,015,660
Infrastructure and environmental	3,323,369						116,877			3,440,246
General government	3,435,841	29,640	185,113						321	3,650,915
Community development	823,858	78,463	59,717							962,038
Health and human services	1,110,821									1,110,821
Justice system	394,166									394,166
Debt service:										
Principal	96,572					1,702,000				1,798,572
Interest						644,057				644,057
Capital outlay	<u>1,050,646</u>	<u>656,737</u>	<u>1,804,173</u>	<u>2,333,676</u>	<u> </u>	<u> </u>	<u>3,408,209</u>	<u> </u>	<u>576,568</u>	<u>9,830,009</u>
Total expenditures	<u>16,791,514</u>	<u>1,224,259</u>	<u>2,049,003</u>	<u>2,333,676</u>	<u> </u>	<u>2,346,057</u>	<u>3,525,086</u>	<u> </u>	<u>576,889</u>	<u>28,846,484</u>

(Continued)

CITY OF SOCORRO, TEXAS

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

Year Ended September 30, 2025

	<u>General Fund</u>	<u>Special Revenue Fund-Grants</u>	<u>Special Revenue Fund-ARPA</u>	<u>Special Revenue Fund-TRZ</u>	<u>Special Revenue Fund-TWDB</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Capital Improvements Fund - TWDB</u>	<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>OTHER FINANCING SOURCES (USES)</u>										
Proceeds from leases and subscription-based information technology arrangements	\$ 169,641	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 169,641
Total other financing sources	<u>169,641</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>169,641</u>
Net change in fund balance	(779,213)	(42,263)	124,906	2,960	(44,826)	(864,600)	2	(538,797)	(2,141,831)	
Fund balance, beginning of the year	<u>9,478,443</u>	<u>401,915</u>	<u>503,629</u>	<u>5,135</u>	<u>_____</u>	<u>717,490</u>	<u>564,576</u>	<u>5,965,023</u>	<u>643,402</u>	<u>18,279,613</u>
Fund balance, end of the year	<u>\$ 8,699,230</u>	<u>\$ 359,652</u>	<u>\$ 628,535</u>	<u>\$ 8,095</u>	<u>\$ _____</u>	<u>\$ 672,664</u>	<u>\$ (300,024)</u>	<u>\$ 5,965,025</u>	<u>\$ 104,605</u>	<u>\$ 16,137,782</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, 2025

Net change in fund balances – total governmental funds \$(2,141,831)

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	9,830,009	
Depreciation and amortization expense	<u>(2,375,335)</u>	7,454,674

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	129,153	
Change in unavailable revenue related to municipal court	<u>(4,534)</u>	124,619

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.

105,630

The deferred gain or loss 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 net deferred gain amortization
recognized every year.

30,120

The proceeds from lease and subscription liabilities provide current financial
resources to governmental funds, but issuing debt increases long-term
liabilities in the statement of net position.

(169,641)

Payment of principal on lease and subscription liabilities is an expenditure in the
governmental funds but the payment reduces long-term liabilities
in the statement of net position.

96,572

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.

1,702,000

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	3,334	
Change in compensated absences payable	<u>(9,121)</u>	<u>(5,787)</u>

Change in net position of governmental activities \$ 7,196,356

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, 2025.

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 eight 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 in 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 page 51.

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-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 Improvements Fund – The capital improvements 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.

Special Revenue Fund – Transportation Reinvestment Zone #2 – Established in 2021 and receives 100% of the City’s portion of the tax increment and a percentage of the tax increment that each taxing unit elects to dedicate to the Tax Reinvestment Zone (TRZ), which is then used to foster new development in the City.

Special Revenue Fund – Texas Water Development Board – Established in 2022 to account for and report financial resources that are held in-trust and have been restricted to be used for flooding control infrastructure projects that are funded by grant award revenues from the Texas Water Development Board. Grant revenue is recognized as expenditures are incurred, and any unused funds are presented as refundable grant advances in the Statement of Net Position.

Capital Improvements Fund – Texas Water Development Board – Established in 2022 to account for and report financial resources that are held in-trust and have been restricted to be used for flooding control infrastructure projects that are funded by bond proceeds that have been loaned by the Texas Water Development Board. Grant revenue is recognized as expenditures are incurred, and any unused funds are presented as refundable grant advances in the Statement of Net Position.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued) – 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.

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.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Restricted cash represents certain unexpended long-term debt funding, court fees collections, and grant proceeds, 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 \$2,260,216,453 for the year ended September 30, 2025. 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 2024-2025 tax rate was \$.666900, per \$100 of assessed valuation. The City incurred expenditures of \$185,934 and \$60,606 for the services provided by El Paso Central Appraisal District and City of El Paso Tax Collector, respectively, for the year ended September 30, 2025.

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. 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.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – 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 related to court warrants amounted to \$8,953,360 at September 30, 2025.

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.

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, 2025, 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	15-45
Leasehold improvements	39

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025.

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. Effective June 20, 2024, the City adopted a sick leave buy back policy. The City provides sick leave benefits to eligible employees. Upon accumulating a balance of 240 hours or more of sick leave, an employee may, on an annual basis, voluntarily convert the excess accrued sick leave to compensation. The employee must have a minimum balance of 240 sick leave hours after the Buy Back. Employees are not paid for unused sick leave, unless all Eligibility Criteria are met under this Buy Back Policy.

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 outflows of resources related to deferred losses from bond defeasances.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025, nonspendable fund balance consisted of prepaid expenses in the amount of \$107,144.

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, 2025, the restricted fund balance on the governmental funds was \$7,722,107, of which \$656,195 is restricted for debt service, \$6,069,630 is restricted for capital projects, \$988,187 is restricted for federal and state mandated programs, and \$8,095 is restricted for the Transportation Reinvestment Zone #2.

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, 2025, 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 \$2,799,145 at September 30, 2025.

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, 2025.

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, 2025, the unassigned fund balance of the governmental funds was \$5,024,182.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025 is \$2,799,145, which is considered to be committed fund balance. At September 30, 2025, the City's unassigned fund balance amounted to \$5,024,182 which met the established percentage requirement.

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.

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.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash Deposits

Total deposits held by the City as of September 30, 2025, had a bank balance of \$12,213,344. The bank balance differs from the register cash balance of \$697,855 and restricted cash of \$11,205,894 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, 2025, pledged collateral funds securing the City's deposits held in one financial institution had a fair market value of \$11,939,932, in addition to the FDIC insurance coverage up to \$250,000. The two restricted bank accounts held for Texas Water Development Board had a combined bank balance of \$9,398,032 and were collateralized in full by pledged securities held by the financial institution on behalf of the Texas Water Development Board. Altogether, collateral held on behalf of the Texas Water Development Board and the City of Socorro, Texas, as well as FDIC insurance coverage, exceeded the City's bank balances totaling \$12,213,344.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEPOSITS AND INVESTMENTS (CONTINUED)

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 365 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.

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	100%
6. Authorized pools	100%

The City had the following investments in authorized pools at September 30, 2025:

	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Measurement Method</u>
Maintenance and Operations	\$ 4,453,051	\$ 4,453,051	Amortized Cost
ARPA	2,382,546	2,382,546	Amortized Cost
Capital Improvements	<u>205</u>	<u>205</u>	Amortized Cost
Total LOGIC Investments	<u>\$6,835,802</u>	<u>\$6,835,802</u>	

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk (Continued) – 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 “AAAm” by Standard & Poor’s. Further information is available at the LOGIC website www.logic.org.

PROPERTY TAX AND OTHER RECEIVABLES

Property tax and other receivables consist of the following at September 30, 2025:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Property taxes:			
Property taxes, current	\$ 196,760	\$	\$ 196,760
Property taxes, delinquent	<u>2,118,140</u>	_____	<u>2,118,140</u>
	2,314,900		2,314,900
Sales taxes and franchise fees	<u>661,386</u>	_____	<u>661,386</u>
Taxes receivable	<u>\$2,976,286</u>	\$_____	<u>\$2,976,286</u>
Other receivables:			
Court warrants	\$9,152,809	\$(8,953,360)	\$ 199,449
Other	<u>409</u>	_____	<u>409</u>
Total other receivables	<u>\$9,153,218</u>	<u>\$(8,953,360)</u>	<u>\$ 199,858</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

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, 2025:

Texas Department of Transportation	\$1,972,311
Camino Real Regional Mobility Authority	166,032
U.S. Department of Justice	83,354
U.S Department of Homeland Security	39,890
U.S. Department of the Interior	30,000
U.S. Executive Office of the President	23,872
El Paso Metropolitan Organization	7,305
Texas Office of the Governor	<u>6,431</u>
Total	<u>\$2,329,195</u>

INTERFUND RECEIVABLES AND PAYABLES

The composition of the City's interfund balances as of September 30, 2025 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$2,092,631
General Fund	Special Revenue – Grants	1,216,463
General Fund	Special Revenue – ARPA	359,692
Special Revenue – Grants	Special Revenue – ARPA	183,484
Special Revenue – ARPA	General Fund	171,063
Special Revenue – Grants	General Fund	96,717
Capital Improvements Fund	General Fund	34,586
General Fund	Debt Service Fund	15,975
Special Revenue – TRZ	General Fund	<u>8,095</u>
Total		<u>\$4,178,706</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

CAPITAL ASSETS, NET

The following is a summary of capital assets and changes occurring for governmental activities during the year ended September 30, 2025:

	Balance at September <u>30, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassifications</u>	Balance at September <u>30, 2025</u>
Non-depreciable capital assets:					
Land	\$ 3,037,132	\$	\$	\$	\$ 3,037,132
Construction in progress	<u>19,312,841</u>	<u>8,714,607</u>	_____	_____	<u>28,027,448</u>
Total non-depreciable capital assets	<u>22,349,973</u>	<u>8,714,607</u>	_____	_____	<u>31,064,580</u>
Depreciable capital assets:					
Infrastructure	49,574,041	73,031			49,647,072
Machinery and equipment	3,445,436	204,241	(500)		3,649,177
Buildings	4,118,188	118,942			4,237,130
Vehicles	4,551,154	305,804	(498,850)		4,358,108
Furniture	512,569				512,569
Leasehold improvements	212,942				212,942
Computer equipment	363,609	243,743			607,352
Right-of-use lease assets	135,759				135,759
Right-of-use subscription assets	<u>343,904</u>	<u>169,641</u>	_____	_____	<u>513,545</u>
	<u>63,257,602</u>	<u>1,115,402</u>	<u>(499,350)</u>	_____	<u>63,873,654</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

CAPITAL ASSETS (CONTINUED)

	Balance at September 30, 2024	Additions	Disposals	Reclassifications	Balance at September 30, 2025
Less accumulated depreciation and amortization for:					
Infrastructure	\$ (15,808,766)	\$(1,115,972)	\$	\$	\$(16,924,738)
Machinery and equipment	(2,509,116)	(257,897)	500		(2,766,513)
Buildings	(1,596,666)	(179,795)			(1,776,461)
Vehicles	(3,105,014)	(524,229)	498,850		(3,130,393)
Furniture	(380,216)	(33,242)			(413,458)
Leasehold improvements	(139,591)	(4,455)			(144,046)
Computer equipment	(252,912)	(124,945)			(377,857)
Right-of-use lease assets	(6,569)	(26,276)			(32,845)
Right-of-use subscription assets	<u>(77,521)</u>	<u>(108,524)</u>	<u> </u>	<u> </u>	<u>(186,045)</u>
Total accumulated depreciation	<u>(23,876,371)</u>	<u>(2,375,335)</u>	<u>499,350</u>	<u> </u>	<u>(25,752,356)</u>
Depreciable capital assets, net	<u>39,381,231</u>	<u>(1,259,933)</u>	<u> </u>	<u> </u>	<u>38,121,298</u>
Total capital assets, net	<u>\$61,731,204</u>	<u>\$ 7,454,674</u>	<u>\$ </u>	<u>\$ </u>	<u>\$69,185,878</u>

Depreciation expense was charged to functions/programs of the government for the year ended September 30, 2025 as follows:

General government	\$ 38,569
Public safety	291,292
Community development	183,005
Infrastructure and environmental	<u>1,862,469</u>
Total depreciation expense	<u>\$2,375,335</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LAND EASEMENTS

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 30, 2025, all three payments have been made by the City and no balances remain outstanding. Carrying value of the fixed assets is \$279,945 as of September 30, 2025.

The City has evaluated its contract with El Paso County Water Improvement District No. 1, and has applied the guidance contained in GASB No. 87, *Leases*, in determining that its easement contract is a lease contract with a defined term. Because there were no remaining lease payments on October 1, 2021, the date of implementation of GASB 87, no retrospective adjustment to net position was considered necessary.

LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2025:

	Balance at September 30, 2024	<u>Additions</u>	<u>Reductions</u>	Balance at September 30, 2025	Due Within One Year
Compensated absences	\$ 110,739	\$ 9,121	\$	\$ 119,860	\$ 119,860
Leases	104,905		(19,232)	85,673	20,069
Subscription-based information technology arrangements	79,901	169,641	(77,340)	172,202	74,063
Bonds payable, net (direct placements)	<u>30,468,263</u>	<u> </u>	<u>(1,807,630)</u>	<u>28,660,633</u>	<u>1,737,000</u>
	<u>\$30,763,808</u>	<u>\$178,762</u>	<u>\$(1,904,202)</u>	<u>\$29,038,368</u>	<u>\$1,950,992</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

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, 2025, employees had approximately 4,579 hours of accumulated paid-time-off.

Total accrued compensated absences \$ 119,860

Bonds Payable (Direct Placements)

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 3%.

\$ 8,450,000

The City issued \$7,230,000 of General Obligation Refunding Bonds, Taxable Series 2022 to refund \$6,505,000 of outstanding principal of Tax and Revenue Obligation Series 2014 bonds. Interest rate is 2.08% over the term of the bonds. Varying interest and principal payments are due annually beginning March 2022 through September 2034. The effective yield is approximately 2.08%.

6,470,000

The City issued \$6,664,000 of Combination Tax and Surplus Revenue Certificates of Obligation, Series 2022 for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with flood control projects. Interest rate is 0% over the term of the bonds. Varying principal payments are due semi-annually beginning March 2023 through March 2052. The entire bond issue was purchased by the Texas Water Development Board, as part of a State assistance program to develop flood control infrastructure.

5,998,000

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 3-4%.

4,625,000

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

Bonds Payable (Direct Placements) (Continued)

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 2-4%. \$ 1,155,000

The City issued \$1,815,000 of General Obligation Refunding Bonds, Series 2020A to refund \$1,730,000 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%. 1,160,000

Total bonds payable outstanding	27,858,000
Unamortized bond premiums	<u>802,633</u>

Total bonds payable, net	<u><u>\$28,660,633</u></u>
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Annual debt service for the outstanding bonds is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2026	\$ 1,737,000	\$ 603,442	\$2,340,442
2027	1,787,000	559,758	2,346,758
2028	1,832,000	514,630	2,346,630
2029	1,877,000	466,035	2,343,035
2030	1,932,000	413,746	2,345,746
2031-2035	9,810,000	1,302,977	11,112,977
2036-2040	6,215,000	312,075	6,527,075
2041-2045	1,110,000		1,110,000
2046-2050	1,110,000		1,110,000
2051-2052	<u>448,000</u>	<u> </u>	<u>448,000</u>
Totals	<u>\$27,858,000</u>	<u>\$4,172,663</u>	<u>\$32,030,663</u>

(Continued)

CITY OF SOCORRO, TEXAS

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

LONG-TERM DEBT (CONTINUED)

Bonds Payable (Direct Placements) (Continued)

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.

Accretion of bond premiums totaling \$105,630 is included as a reduction of interest expense for the year ended September 30, 2025.

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

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

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 loss resulting from retirement of bonds amounted to \$268,719 at September 30, 2025.

Leases

On July 19, 2024, the City entered into a lease agreement for the use of security cameras. The lease agreement has a term of five years, ending July 18, 2029, and includes annual payments of \$23,799, including interest. An initial payment of \$30,854 was made at the commencement of the lease. The present value of the future lease payments was calculated using an implicit rate of 4.27%, resulting in an initial lease liability and right-of-use asset of \$135,759. The right-of-use asset is amortized over the lease term on a straight-line basis. As of September 30, 2025, the carrying value of the right-of-use lease asset is \$102,914, and the remaining lease liability is as follows:

Total lease liability	\$85,673
Less amount due in one year	<u>20,069</u>
Amount due in more than one year	<u>\$65,604</u>

Annual debt service for the lease liability is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2026	\$20,069	\$3,730	\$23,799
2027	20,943	2,856	23,799
2028	21,855	1,944	23,799
2029	<u>22,806</u>	<u>993</u>	<u>23,799</u>
	<u>\$85,673</u>	<u>\$9,523</u>	<u>\$95,196</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

Subscription-Based Information Technology Arrangements

On November 15, 2022, the City entered into a Subscription-Based Information Technology Arrangement (SBITA) for the use of software and license as part of the Broadband and Network Improvements Project. The arrangement provides the City with a right to use the software for a period of three years, ending on November 15, 2025. The City made a one-time upfront payment of \$75,370 for this right. No additional payments were required by the software provider for the remaining non-cancelable license period, and therefore a liability for remaining contract payments has not been recorded. The City recognized a right-to-use asset at the inception of the arrangement, measured at the amount of the one-time payment. The right-to-use asset is being amortized over the 3-year subscription period on a straight-line basis. As of September 30, 2025, the remaining unamortized right-to-use asset is \$2,094.

On February 1, 2023, the City entered into a Subscription-Based Information Technology Arrangement (SBITA) for the use of software and license for a centralized camera monitoring system. The arrangement provides the City with a right to use the software for a period of ten years, ending on February 1, 2033. The City made a one-time upfront payment of \$159,920 for this right. The City recognized a right-to-use asset at the inception of the arrangement, measured at the amount of the one-time payment. No additional payments were required by the software provider for the remaining non-cancelable license period, and therefore, a liability for remaining contract payments has not been recorded. The right-to-use asset is being amortized over the 10-year subscription period on a straight-line basis. As of September 30, 2025, the remaining unamortized right-to-use asset is \$117,215.

On July 19, 2024, the City entered into a Subscription-Based Information Technology Arrangement (SBITA) for a license related to security camera software. The agreement provides the City with the right to use the underlying software for a period of five years, ending on July 19, 2028. At the commencement of the agreement, the City made an initial payment of \$28,713 and recognized a right-to-use subscription asset and a corresponding subscription liability of \$108,614, representing the present value of the total subscription payments over the term of the arrangement. The remaining annual payments of \$22,148 are due each year over the five-year term. The City calculated the present value of subscription payments using an implicit rate of 4.18%. The right-to-use asset is being amortized on a straight-line basis over the subscription term. As of September 30, 2025, the unamortized balance of the right-to-use asset was \$95,037.

On October 1, 2024, the City entered into a Subscription-Based Information Technology Arrangement (SBITA) for a cloud based cyber security solution. The agreement provides the City with the right to use the underlying software for a period of three years, ending on September 30, 2027. At the commencement of the agreement, the City made an initial payment of \$58,597 and recognized a right-to-use subscription asset and a corresponding subscription liability of \$169,641, representing the present value of the total subscription payments over the term of the arrangement. The remaining annual payments of \$58,597 are due each year over the three-year term. The City calculated the present value of subscription payments using an implicit rate of 3.61%. The right-to-use asset is being amortized on a straight-line basis over the subscription term. As of September 30, 2025, the unamortized balance of the right-to-use asset was \$113,094.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

Subscription-Based Information Technology Arrangements (Continued)

Annual future subscription payments are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$74,063	\$ 6,682	\$ 80,745
2027	76,897	3,848	80,745
2028	<u>21,242</u>	<u>905</u>	<u>22,147</u>
Total	<u>\$172,202</u>	<u>\$11,435</u>	<u>\$183,637</u>

For the fiscal year ended September 30, 2025, the City recognized amortization expense of \$108,524 related to its SBITAs, which is included in the total depreciation expense for the year.

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Unavailable revenues in the amount of \$2,164,063 at September 30, 2025, 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 \$2,028,357 related to property taxes, and \$135,706 related to municipal court warrants.

Deferred losses resulting from defeasance of bonds payable are presented in the statement of net position in the government-wide financial statements as deferred outflows. Deferred loss from defeasance of bonds amounted to \$268,719 on September 30, 2025.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEFERRED REVENUE

Deferred revenue was composed of the following at September 30, 2025:

Coronavirus State and Local Fiscal Recovery Funds (SLFRF), authorized by the American Rescue Plan Act (ARPA)	\$1,401,822
Flood infrastructure fund grant	3,433,281
Police seizures	<u>4,843</u>
Total deferred revenue	<u>\$4,839,946</u>

During the year ended September 30, 2023, the City received \$4,266,617 in SLFRF funds and \$4,266,617 in 2021, for a total of \$8,533,234 in SLFRF funds. Only a part was spent before year-end, therefore, a balance remains in deferred revenue. The Department of Treasury of the United States released a Final Rule stating funds are to be spent in four broad categories: public health and economic impacts, premium pay, general government revenue loss, and investments in water, sewer, and broadband. SLFRF funds may be used to cover eligible costs incurred during the period that begins on March 3, 2021 and ends December 31, 2026, as long as the award funds for the obligations incurred by December 31, 2024 are expensed by December 31, 2026. In September 2025, the City deobligated \$8,415 of previously budgeted expenditures and returned those funds to the U.S. Department of the Treasury, reducing total obligated funds accordingly. At September 30, 2025, total obligated SLFRF funds per the City's approved budget for the grant was \$8,524,819.

On September 7, 2022, the City received \$3,433,281 from the Texas Water Development Board to be used for flood control problems. No funds have been spent as of September 30, 2025.

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 8% 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, 2025 totaled \$293,976, and the employees contributed \$326,095. 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.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SPLIT-INTEREST AGREEMENT

Beneficial Interest in The Paso Del Norte Community Foundation

On December 31, 2021, the City of Socorro Community Initiative (“COSCI”) entered into a split-interest agreement with The Paso del Norte Community Foundation (“the Foundation”). The Foundation made a \$750,000 contribution for use over 36 months to support the Bracero rehabilitation, museum exhibition and interpretation, a research fellowship and the development and operation of the Rio Vista Farm tour. The City has variance power to manage the project with expenses approved by COSCI’s Executive Director. Revenue of \$750,000 was recognized as grant income in the Statement of Activities in the year of receipt. As of September 30, 2025, the remaining balance of \$49,672 is presented as restricted net assets in the statement of Net Position.

The City has applied the guidance contained in GASB 81, “*Irrevocable Split Agreements*”, to account for the Foundation’s contribution and has initially classified the carrying balance of the agreement as an investment. The investment is reported based on the carrying balance of the investment as presented by the Foundation.

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	\$6,069,630
Federal and state mandated	988,187
Debt service	656,195
Transportation Reinvestment Zone #2	<u>8,095</u>
Total	<u>\$7,722,107</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>2,799,145</u>
Total	<u>\$3,284,349</u>

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEFICIT FUND BALANCE

The Capital Improvements Fund had a deficit fund balance at September 30, 2025 of \$300,024. This deficit will be financed through advances from the General Fund.

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 2025, 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:

Automobile Liability	\$1,000,000
General Liability	\$1,000,000
Real and Personal Property	\$6,013,663
Flood and Earthquake	\$7,513,663
Boiler and Machinery (Per Accident)	\$100,000
Mobile Equipment	\$1,718,532
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, was amended in July 2023 and calls for a one-time payment of \$4,507 to begin the project. The agreement established a projected budget of \$6,519,940, out of which \$4,205,451 is the estimated federal match, \$907,888 is the estimated state match, and \$1,406,601 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$3,655,798.

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 \$1,383,564, out of which \$322,266 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$1,832,323.

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 \$1,241,373, out of which \$116,307 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$1,016,918.

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. During the course of the project, available TXDOT funding was fully expended and was not sufficient to cover the remaining engineering work required to be completed. As a result, the City utilized TRZ No. 2 funds to cover these additional project costs. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$4,043,320.

(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 construction of Passmore Road Shared Use Path. 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 \$6,910 to begin the project. The agreement established a projected budget of \$1,196,817, out of which \$917,457 is the estimated federal match, \$49,995 is the estimated state match, and \$229,365 is the estimated local government’s match. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$1,268,435.

The City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the construction of Crossing at Moon Road. The City will coordinate the architectural and engineering services involving the project. The agreement originated in March 2024. The agreement established a projected budget of \$94,364, out of which \$78,966 is the estimated federal match, \$15,398 is the estimated state match. No expenses have been incurred from the inception of the project through September 30, 2025.

The City entered into an agreement with the Texas Department of Transportation (“TXDOT”) for the construction of TA23 Socorro Act Transportation Ph1. The City will coordinate the architectural and engineering services involving the project. The agreement originated in May 2024. The agreement established a projected budget of \$16,792,746 out of which \$16,174,505 is the estimated federal match, and \$618,241 is the estimated state match. Local government is responsible for 100% of overruns and local match is expected to be met with transportation development credits provided by TXDOT. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$261,234.

Camino Real Regional Mobility Authority

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 for the administration and construction of Nuevo Hueco Tanks Road Expansion. CRRMA is responsible for right-of-way acquisition for the project. Under the terms of the agreement, CRRMA has the authority to issue debt and secure it with proceeds from the TRZ fund. The City is required to make payments to CRRMA from its TRZ No. 2 revenue in order for CRRMA to make any required debt service payments. Such transfers of TRZ No. 2 funds are to be recognized as expenses for Socorro when the required debt service payments are due by CRRMA.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

COMMITMENTS AND CONTINGENCIES (CONTINUED)

Camino Real Regional Mobility Authority (Continued)

In November 2024, the City amended its agreement with the CRRMA for the TRZ No. 2 to allow for the use of TRZ revenue for design expenses for the Nuevo Hueco Tanks Extension project up to \$678,197 and the construction of a traffic signal at Nuevo Hueco Tanks Boulevard and Hueco Junction Road up to \$150,000. Total expenses incurred from the inception of the project through September 30, 2025, amounted to \$7,233,971. Remaining funds are shown as restricted in the statement of net position. As of September 30, 2025, CRRMA had no debt issued related to TRZ No. 2 and reported a receivable of \$166,032 due from CRRMA related to Nuevo Hueco Tanks Road Expansion construction costs.

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 is party to various legal proceedings, which normally occur in governmental operations. Management has determined 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, 2025.

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.

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

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, 2026. The City received disbursements amounting to \$8,533,234, of which \$7,122,997 was spent and the remaining portion was recognized as deferred revenue at September 30, 2025.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

In November 2022, the City entered into an agreement with El Paso Collaborative for Community and Economic Development (the “Subrecipient”), with the purpose of supporting small businesses located in the City of Socorro. The program will dedicate \$275,000 to small business recovery loans, which will amount up to \$30,000 per business. The Subrecipient will be paid an administrative fee of 10% in connection with the scope of the program, which began on November 17, 2022, and terminates on December 31, 2024. In August 15, 2024, the City amended its original agreement with the subrecipient to allocate \$100,000 in additional funding and extend the original contract end date to December 30, 2025.

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, 2025, approximately 55% and 10% of the City’s total revenues were from property taxes and sales taxes, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

Effective April 2024, the Governmental Accounting Standards Board issued GASB Statement No.103 *Financial Reporting Model Improvements*, (GASBS 103), which addresses updates to enhance the effectiveness of financial reporting for state and local governments. The statement introduces modifications to key elements of the reporting model, including the structure of Management’s Discussion and Analysis (MD&A), handling of unusual or infrequent items, and improved presentation in proprietary fund statements. However, the provisions of GASBS 103 are not effective until fiscal years beginning after June 15, 2025, and as such the City has not yet adopted this standard.

Effective September 2024, the Governmental Accounting Standards Board issued GASB Statement No. 104 *Disclosure of Certain Capital Assets*, (GASBS 104), which enhances transparency by requiring separate disclosures of certain types of capital assets, including: lease assets under GASB Statement No. 87, intangible right-to-use assets under GASB Statement No. 94, subscription assets under GASB Statement No. 96 and other intangible assets not included in the categories above, categorized by major class. However, the provisions of GASBS 104 are not effective until fiscal years beginning after June 15, 2025, and as such the City has not yet adopted this standard.

(Continued)

CITY OF SOCORRO, TEXAS

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Effective December 2025, the Governmental Accounting Standards Board issued GASB Statement No. 105 *Subsequent Events*, (GASBS 105), which defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. It also clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. However, the provisions of GASBS 105 are not effective until fiscal year beginning after June 15, 2026, and as such the City has not yet adopted this standard.

SUBSEQUENT EVENTS

Subsequent events were evaluated through March 19, 2026, 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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	\$ 9,757,654	\$ 9,757,654	\$ 9,887,859	\$ 130,205
Sales taxes	2,460,000	2,460,000	2,571,697	111,697
Planning and zoning fees	1,075,000	1,075,000	1,558,254	483,254
Franchise taxes	850,000	850,000	943,445	93,445
Municipal court fines and fees	462,500	462,500	471,659	9,159
Investment income	240,200	240,200	274,002	33,802
Charges for services	14,500	14,500	3,618	(10,882)
Other income	<u>18,150</u>	<u>18,150</u>	<u>132,126</u>	<u>113,976</u>
 Total revenues	 <u>14,878,004</u>	 <u>14,878,004</u>	 <u>15,842,660</u>	 <u>964,656</u>
Expenditures/outflows:				
Public safety	6,317,177	6,597,085	6,556,241	40,844
Infrastructure and environmental	4,425,176	3,558,740	3,323,369	235,371
General government	4,090,046	4,253,501	3,435,841	817,660
Health and human services	880,200	1,112,700	1,110,821	1,879
Community development	699,190	971,689	823,858	147,831
Justice system	524,993	398,703	394,166	4,537
Debt service			96,572	(96,572)
Capital outlay	<u> </u>	<u> </u>	<u>1,050,646</u>	<u>(1,050,646)</u>
 Total expenditures	 <u>16,936,782</u>	 <u>16,892,418</u>	 <u>16,791,514</u>	 <u>100,904</u>

(Continued)

CITY OF SOCORRO, TEXAS

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

Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Deficiency of revenues under expenditures	\$(2,058,778)	\$(2,014,414)	\$ (948,854)	\$ 1,065,560
Fund balance, beginning of year	<u>9,478,443</u>	<u>9,478,443</u>	<u>9,478,443</u>	_____
Fund balance, end of year	<u>\$ 7,419,665</u>	<u>\$ 7,464,029</u>	<u>\$ 8,529,589</u>	<u>\$ 1,065,560</u>
Budget basis excess			\$ (948,854)	
Proceeds from leases			<u>169,641</u>	
GAAP basis excess			(779,213)	
Fund balance, beginning of year			<u>9,478,443</u>	
Fund balance, end of year			<u>\$ 8,699,230</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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Federal and state grants	\$ 784,662	\$ 784,662	\$ 1,159,658	\$ 374,996
Franchise taxes			7,884	7,884
Other income	_____	_____	<u>14,454</u>	<u>14,454</u>
Total revenues	<u>784,662</u>	<u>784,662</u>	<u>1,181,996</u>	<u>397,334</u>
Expenditures/outflows:				
Public safety	724,662	724,662	459,419	265,243
Community development	60,000	60,000	78,463	(18,463)
General government			29,640	(29,640)
Capital outlay	_____	_____	<u>656,737</u>	<u>(656,737)</u>
Total expenditures	<u>784,662</u>	<u>784,662</u>	<u>1,224,259</u>	<u>(439,597)</u>
Excess (deficiency) of revenues over expenditures			(42,263)	(42,263)
Fund balance, beginning of year	<u>401,915</u>	<u>401,915</u>	<u>401,915</u>	_____
Fund balance, end of year	<u>\$ 401,915</u>	<u>\$ 401,915</u>	<u>\$ 359,652</u>	<u>\$ (42,263)</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 - ARPA**

Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Federal and state grants	\$ 4,118,072	\$ 4,118,072	\$2,026,864	\$ (2,091,208)
Investment income	_____	_____	<u>147,045</u>	<u>147,045</u>
Total revenues	<u>4,118,072</u>	<u>4,118,072</u>	<u>2,173,909</u>	<u>(1,944,163)</u>
Expenditures/outflows:				
Infrastructure and environmental	3,572,361	3,572,361		3,572,361
Community development			59,717	(59,717)
General government	545,711	545,711	185,113	360,598
Capital outlay	_____	_____	<u>1,804,173</u>	<u>(1,804,173)</u>
Total expenditures	<u>4,118,072</u>	<u>4,118,072</u>	<u>2,049,003</u>	<u>2,069,069</u>
Excess of revenues over expenditures			124,906	124,906
Fund balance, beginning of year	<u>503,629</u>	<u>503,629</u>	<u>503,629</u>	_____
Fund balance, end of year	<u>\$ 503,629</u>	<u>\$ 503,629</u>	<u>\$ 628,535</u>	<u>\$ 124,906</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 - TRZ**

Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$ 2,336,636</u>	<u>\$ 1,336,636</u>
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,336,636</u>	<u>1,336,636</u>
Expenditures/outflows:				
Capital outlay	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,333,676</u>	<u>(1,333,676)</u>
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,333,676</u>	<u>(1,333,676)</u>
Excess of revenues over expenditures			2,960	2,960
Fund balance, beginning of year	<u>5,135</u>	<u>5,135</u>	<u>5,135</u>	<u> </u>
Fund balance, end of year	<u>\$ 5,135</u>	<u>\$ 5,135</u>	<u>\$ 8,095</u>	<u>\$ 2,960</u>

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 2025.

(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 line item areas:

General Fund:	
Capital outlay	\$1,050,646
Debt service	<u>96,572</u>
	<u>\$1,147,218</u>
Special Revenue Fund – Grants:	
Capital outlay	\$ 656,737
General government	29,640
Community development	<u>18,463</u>
	<u>\$ 704,840</u>
Special Revenue Fund – TRZ:	
Capital outlay	<u>\$1,333,676</u>

(Continued)

CITY OF SOCORRO, TEXAS

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

BUDGET OVER-EXPENDITURES (CONTINUED)

Special Revenue Fund – ARPA	
Capital outlay	\$1,804,173
Community development	<u> 59,717</u>
	<u>\$1,863,890</u>

The Council made supplemental appropriations of excess revenues subsequent to year-end which were sufficient to cover the current year over-expenditures on any line items with excess. The total budgeted appropriations for the general fund were \$16,936,782 before amendments, and \$16,892,418 after amendments. The actual total expenditures in the general fund were \$16,791,514, which did not in aggregate exceed the total approved budget. The primary line items with over-expenditures in the general fund were due to a difference in classification from budgetary basis, in which capital expenditures are budgeted under each functional department classifications; however, for financial statement presentation purposes, they were recorded within the capital outlay classification.

The primary over-expenditures in the Special Revenue Fund-Grants were related to overtime, capital outlay, and construction projects during the year. In all cases, expenditures incurred in the Special Revenue Fund-Grants were reimbursed by federal or state grant awards.

The primary over-expenditures in the Special Revenue Fund-TRZ were related to capital outlay. Actual TRZ tax collections and corresponding payments transferred to CRRMA exceeded the original budget amount.

The primary line items with over-expenditures in the Special Revenue Fund-ARPA were community development and capital outlay. ARPA-related capital expenditures were originally budgeted under infrastructure and general government; however, for financial statement presentation purposes, they were recorded within the capital outlay classification.

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, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/inflows:				
Federal and state grants	\$	\$	\$ 2,313,426	\$ 2,313,426
Investment income			9	9
Other income			347,051	347,051
Total revenues			2,660,486	2,660,486
Expenditures/outflows:				
Infrastructure and environmental Capital outlay			116,877 3,408,209	(116,877) (3,408,209)
Total expenditures			3,525,086	(3,525,086)
Deficiency of revenues under expenditures			(864,600)	(864,600)
Fund balance, beginning of the year	564,576	564,576	564,576	
Fund balance, end of year	\$ 564,576	\$ 564,576	\$ (300,024)	\$ (864,600)

See independent auditor's report.

CITY OF SOCORRO, TEXAS

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

Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Investment income	\$ _____	\$ _____	\$ _____ 2	\$ _____ 2
Total revenues	_____	_____	_____ 2	_____ 2
Total expenditures	_____	_____	_____	_____
Excess of revenues over expenditures			2	2
Fund balance, beginning of the year	<u>5,965,023</u>	<u>5,965,023</u>	<u>5,965,023</u>	_____
Fund balance, end of year	<u>\$ 5,965,023</u>	<u>\$ 5,965,023</u>	<u>\$ 5,965,025</u>	<u>\$ _____ 2</u>

See independent auditor's report.

CITY OF SOCORRO, TEXAS

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

Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues/inflows:				
Property taxes	<u>\$2,346,057</u>	<u>\$2,346,057</u>	<u>\$ 2,301,231</u>	<u>\$ (44,826)</u>
Total revenues	<u>2,346,057</u>	<u>2,346,057</u>	<u>2,301,231</u>	<u>(44,826)</u>
Expenditures/outflows:				
Principal	1,702,000	1,702,000	1,702,000	
Interest	<u>644,057</u>	<u>644,057</u>	<u>644,057</u>	
Total expenditures	<u>2,346,057</u>	<u>2,346,057</u>	<u>2,346,057</u>	
Deficiency of revenues under expenditures			(44,826)	(44,826)
Fund balance, beginning of the year	<u>717,490</u>	<u>717,490</u>	<u>717,490</u>	
Fund balance, end of year	<u>\$ 717,490</u>	<u>\$ 717,490</u>	<u>\$ 672,664</u>	<u>\$ (44,826)</u>

See independent auditor's report.

SBNG

AUDITOR'S SECTION

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

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

To Honorable Mayor Rudy Cruz, Jr.
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, 2025, 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 March 19, 2026.

Report on Internal Control Over Financial Reporting

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

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.

(Continued)

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

SBNG, PC

El Paso, Texas
March 19, 2026

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

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Socorro, Texas’ compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Socorro, Texas’ major federal programs for the year ended September 30, 2025. 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.

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 major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

(Continued)

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Socorro, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Socorro, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Socorro, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

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

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 item 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on City of Socorro's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Socorro's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

(Continued)

To Honorable Mayor Rudy Cruz, Jr.
and Council Members of City of Socorro, Texas

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on City of Socorro's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Socorro's response was not subjected to the other 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
March 19, 2026

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

Year Ended September 30, 2025

Program Title	Assistance Listing Number	Agency or Pass-Through Number	Contract Period	Award Amount	Passed-through to Subrecipients	Amount Expended
FEDERAL EXPENDITURES						
U.S. Department of Transportation						
<i>Passed through Texas Department of Transportation</i>						
City of Socorro Arterial 1	20.205	0924-06-563	08/17/2020 - completion	\$ 4,205,451	\$	\$ 1,047,857
Rio Vista at Franklin Canal	20.205	0924-06-423	08/17/2020 - completion	\$ 849,038		408,302
Bovee at Franklin Canal	20.205	0924-06-424	08/17/2020 - completion	\$ 900,053		172,184
Nuevo Hueco Tanks Road Extension	20.205	0924-06-607	09/17/2020 - completion	\$ 2,828,000		289,916
Passmore Rd. Shared Use Path	20.205	0924-06-604	07/30/2020 - completion	\$ 917,457		
UPRR Crossing at Moon Road	20.205	0924-06-692	03/07/2024 - completion	\$ 78,966		
TA23 Socorro Act Transportation Phase 1	20.205	0002-14-048	05/25/2024 - completion	\$ 16,174,505		261,234
<i>Passed through Ysleta Del Sur Pueblo</i>						
Passmore and Vineyard Bridges	20.205	N/A	06/03/2025 - completion	\$ 663,320	_____	_____
Total 20.205					_____	<u>2,179,493</u>
<i>Passed through El Paso Metropolitan Planning Organization</i>						
Transit Services Program Cluster:						
Seniors and Individuals with Disabilities	20.513	FFY 2022	09/25/2023 - 09/30/2027	\$ 143,425		143,425
Seniors and Individuals with Disabilities	20.513	FFY 2023	03/12/2024 - 09/30/2028	\$ 143,425	_____	_____
Total 20.513					_____	<u>143,425</u>
Total Transit Services Program Cluster:					_____	<u>143,425</u>
Total U.S Department of Transportation						<u>2,322,918</u>
U.S. Department of the Treasury						
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds						
	21.027	TX4179	03/31/2021 - 12/31/2026	\$ 8,516,403	100,000	2,026,864
Total 21.027					100,000	<u>2,026,864</u>
Total U.S. Department of the Treasury						<u>100,000</u> <u>2,026,864</u>

(Continued)

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

Year Ended September 30, 2025

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Passed-through to Subrecipients	Amount Expended
FEDERAL EXPENDITURES (CONTINUED)						
U.S. Department of Homeland Security						
Federal Emergency Management Agency						
<i>Passed through Texas Office of the Governor - Homeland Security Grants Division (HSGD)</i>						
El Paso - 2022 OPSG	97.067	3007208	03/01/2023 - 01/31/2025	\$ 271,034	\$	\$ 96,459
Socorro Police Department Communications	97.067	4797301	09/01/2023 - 08/31/2025	\$ 131,605		131,580
El Paso - 2023 OPSG	97.067	3007209	03/01/2024 - 02/28/2025	\$ 80,840		44,583
El Paso - 2024 OPSG	97.067	3007210	03/01/2025 - 02/28/2026	\$ 75,391	_____	<u>28,562</u>
Total 97.067					_____	<u>301,184</u>
Total U.S. Department of Homeland Security						<u>301,184</u>
U.S. Executive Office of the President - Office of National Drug Control Policy						
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G22SW0018A	01/01/2022 - 12/31/2023	\$ 61,533		6,195
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G23SW0018A	01/01/2023 - 12/31/2024	\$ 79,297		72,996
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G24SW0018A	01/01/2024 - 12/31/2025	\$ 80,573		52,585
High Intensity Drug Trafficking Areas (HIDTA) - Program Fiscal Year (FY) 2025 Grant Award	95.001	HID3225G0561-00	01/01/2025 - 12/31/2026	\$ 76,000	_____	_____
Total 95.001					_____	<u>131,776</u>
Total U.S. Executive Office of the President - Office of National Drug Control Policy						<u>131,776</u>
U.S. Department of Justice						
COPS Office COPS Hiring Program (CHP)	16.710	2020UMWX0203	07/01/2020 - 10/31/2024	\$ 742,237		
Crisis Intervention Teams Solicitation	16.710	15JCOPS-21-GG-02315SPPS	09/01/2021 - 12/31/2024	\$ 204,000		15,609
FY24 City of Socorro TX LEA Accreditation Grant	16.710	15JCOPS-24-GG-03180-PPSE	10/01/2024 - 09/30/2026	\$ 187,278	_____	<u>55,819</u>
Total 16.710					_____	<u>71,428</u>

(Continued)

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

Year Ended September 30, 2025

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Passed-through to Subrecipients	Amount Expended
FEDERAL EXPENDITURES (CONTINUED)						
U.S. Department of Justice						
<i>Passed through Texas Office of the Governor – Criminal Justice Division (CJD)</i>						
Socorro Criminal Justice Program	16.738	5029201	10/01/2024 - 09/30/2025	\$ 50,020	\$ _____	\$ 41,192
Total 16.738					_____	41,192
Socorro Victim Assistance Program	16.575	4487802	10/01/2023 - 09/30/2024	\$ 49,248		11,202
FY25 Victim Assistance Program	16.575	4487803	10/01/2024 - 09/30/2025	\$ 39,052	_____	18,570
Total 16.575					_____	29,772
Total U.S. Department of Justice					_____	<u>142,392</u>
U.S. Department of Agriculture						
<i>Passed through Texas A& M Forest Services</i>						
Socorro Tree Planting Project	10.664	23-DG-11083148-430	06/1/2024 - 05/31/2025	\$ 14,374	_____	_____
Total 10.664					_____	_____
Total U.S. Department of Agriculture					_____	_____
U.S. Department of Housing and Urban Development (HUD)						
Rio Vista Rehabilitation Project	14.251	B-24-CP-TX-2096	03/09/2024 - 08/31/2032	\$ 1,666,279	_____	_____
Total 14.251					_____	_____
Total U.S. Department of Housing and Urban Development (HUD)					_____	_____
U.S. Department of the Interior						
Rio Vista Bracero Reception Center Rehabilitation	15.929	P25AP01881-00	09/19/2025 - 04/30/2029	\$ 750,000	_____	_____
Total 15.929					_____	_____

(Continued)

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

Year Ended September 30, 2025

Program Title	Assistance Listing Number	Agency or Pass- Through Number	Contract Period	Award Amount	Passed-through to Subrecipients	Amount Expended
FEDERAL EXPENDITURES (CONTINUED)						
U.S. Department of the Interior (Continued)						
<i>Passed through the Texas Historical Commission</i>						
Rio Vista Farm Educational Project	15.904	TX-22-004	04/26/2022 - 12/31/2024	\$ 30,000	\$	\$ 19,860
Rio Vista Farm Educational Project	15.904	TX-23-005	05/05/2023 - 12/31/2025	\$ 30,000		30,000
Certified Local Government Program - Travel	15.904	TX-24-016	12/01/2024 - 03/31/2025	\$ 3,077		<u>3,077</u>
Total 15.904						<u>52,937</u>
Total U.S. Department of the Interior						<u>52,937</u>
Total Federal Expenditures					<u>\$ 100,000</u>	<u>\$ 4,978,071</u>

See notes to the schedule of expenditures of federal awards.

CITY OF SOCORRO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2025

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 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 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 cost for federal and state awards issued prior to October 1, 2024, and the de minimis rate of 15% of modified total direct cost for federal and state awards issued on or after October 1, 2024, as an indirect cost allocation factor, as allowed under 2 CFR §200.414 when allowable by federal and state grantors.

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 Awards. Funds passed through to subgrantees totaled \$100,000 for the year ended September 30, 2025.

CITY OF SOCORRO, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2025

I. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of City of Socorro, Texas.
2. No significant deficiencies were reported in the audit of the financial statements of City of Socorro, Texas in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance material to the financial statements of City of Socorro, Texas, disclosed during the audit which would be required to be reported in accordance with *Government Auditing Standards*.
4. A significant deficiency in internal control over major federal award programs was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as 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 each major federal program.
6. There is one audit finding that is required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major federal programs were the Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027 and the Homeland Security Grant Program, ALN 97.067.
8. The threshold used for distinguishing between Type A and Type B programs was \$1,000,000.
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, 2025

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

None noted.

(Continued)

CITY OF SOCORRO, TEXAS

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

Year Ended September 30, 2025

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

**Finding 2025-001:
Internal Controls over Reporting
Homeland Security Grant Program, 97.067 - Reporting**

Criteria: Per the Texas Administrative Code (TAC) §3.2527, grantees must periodically submit reports regarding grant information, performance, and progress towards the grant goals and objectives. Also, per the Texas Administrative Code (TAC) §3.2507, a financial status report may be submitted as often as monthly but must be submitted at least quarterly. Required quarterly financial status reports (FSRs) are due 22 days after the end of each calendar quarter.

Condition: During a programmatic desk review for the Homeland Security Grant Operation Stonegarden, award number 3007209, the federal awarding agency notified the City of late submission of required reports and recommended implementation of a policy detailing submission procedures for progress reports. The City failed to submit timely four out of four required performance reports, as well as the general assessment and quarterly FSRs.

Cause: The City has a written policy in place (“Policy 67”) that meets the requirements recommended by the awarding agency; however, the City did not properly follow the established policy. The breakdown in compliance was to be due to a lack of effective internal monitoring to ensure adherence to established reporting procedures.

Effect: The City failed to submit four out of four required performance reports, a general assessment report, and a quarterly FSR in a timely manner.

Recommendation: We recommend that management strengthen monitoring controls over reporting deadlines by implementing formal procedures, including:

- Maintaining a centralized reporting calendar for all grant requirements;
- Assigning clear responsibility for report preparation, review, and submission; and
- Implementing documented supervisory review prior to submission to ensure timely compliance with grant reporting requirements.

Strengthening these controls will help ensure timely submission of required reports and reduce the risk of sanctions or funding interruptions.

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

See independent auditor’s report.

CITY OF SOCORRO, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2025

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

None noted.

II. AUDIT FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.

See independent auditor’s report.

CITY OF SOCORRO, TEXAS

CORECTIVE ACTION PLAN

Year Ended September 30, 2025

**Finding 2025-001:
Internal Controls over Reporting
Homeland Security Grant Program, 97.067 - Reporting**

Management's view:

Management acknowledges the audit finding that the City failed to submit required performance reports—including the General Assessment and quarterly Financial Status Reports (FSRs)—within the required deadlines. Management is committed to ensuring full compliance with all reporting obligations going forward. The actions outlined in the corrective action plan will provide stronger internal controls, clearer accountability, and improved on-time submission of all required performance reports.

Proposed corrective action:

In reference to Finding 2025-001 related to Grant 3007209, management has reviewed the Adopted Policy 67, which is currently in effect and meets all requirements identified in the newly issued findings for Grant 3007209. After a comprehensive review, we have determined that no revisions to the policy are necessary at this time, as the existing policy continues to align with the updated standards and expectations.

To strengthen implementation, the Socorro Police Department has increased internal checkpoints and assigned additional support staff to ensure consistent adherence to the policy and timely submission of all required reports going forward. The department is fully aware of the areas of noncompliance noted in the finding and is actively working to address and correct these issues.

In support of this commitment, please find the enclosed statement from Chief of Police Robert C. Rojas: *“The Socorro Police Department is committed to meeting all reporting requirements and deadlines under the Operation Stonegarden grant. We have established checkpoints and assigned staff to assist with preparing and reviewing reports to ensure they are accurate and submitted on time. This added oversight builds accountability and redundancy into the process, preventing delays in submissions. These steps reflect our responsibility to remain compliant and our commitment to good stewardship of this program.”*

Anticipated correction date: Immediately

Responsible official: Chief of Police, Robert C. Rojas and Lourdes Gomez, Finance Director