

CITY OF SANTA FE, TEXAS

FINANCIAL REPORT

For the Year Ended September 30, 2015

CITY OF SANTA FE, TEXAS

FINANCIAL REPORT

Year Ended September 30, 2015

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INTRODUCTORY SECTION

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CITY OF SANTA FE, TEXAS

PRINCIPAL OFFICIALS

September 30, 2015

MAYOR

Jeff Tambrella

CITY COUNCIL

Mayor Pro-Tem
Council Member
Council Member
Council Member
Council Member

Ronald "Bubba" Jannett
Charles Coleman
Pat McCrary
Joe Carothers
Corey Jannett

CITY MANAGER

Joe Dickson

CITY SECRETARY/TREASURER

Janet Davis

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Santa Fe, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Santa Fe, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Santa Fe, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We did not audit the financial statements of The City of Santa Fe Section 4B Economic Development Corporation, which represent 13 percent, 19 percent and 10 percent, respectively, of the assets, net position and revenues of the City of Santa Fe, Texas. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The City of Santa Fe Section 4B Economic Development Corporation, is based solely on the report of the other auditors.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the City of Santa Fe, Texas, as of September 30, 2015, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 15, budgetary comparison information on pages 48 through 49 and pension information on pages 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Fe, Texas's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and other supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016, on our consideration of the City of Santa Fe, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Fe, Texas's internal control over financial reporting and compliance.



Sugar Land, Texas
March 2, 2016

Management's Discussion and Analysis

As management of the City of Santa Fe, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$15,490,993 (net position).
- The City's total net position decreased by \$342,710 during the year.
- The City's total expenses were \$6,177,045. Program revenues of \$1,131,977 reduced the net cost of the City's functions to be financed from the City's general revenues to \$5,045,068.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,242,358, or 24.5 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise 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 result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has one type of fund:

Governmental Funds - Some of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship/differences between them.

The City maintains three individual governmental funds, the General Fund, Debt Service Fund and Special Revenue Fund for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental

fund statement of revenues, expenditures and changes in fund balances for these funds, which are considered to be major funds as of September 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 42 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget and the City's pension benefits provided to its employees. Required supplementary information can be found on pages 44 through 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15,490,993 as of September 30, 2015.

The largest portion of the City's net position, \$16,596,504, reflects its net investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position, \$183,883, represents restricted financial resources which are not available for future spending.

Lastly, the remaining portion of the City's net position represents unrestricted financial resources available for future operations. As of September 30, 2015, unrestricted net position has a deficit balance of \$1,289,394, which can be attributed to City's net pension liability that was recorded in fiscal year 2015. The City's net pension liability, resulting from the implementation of Governmental Accounting Standards Board Statements No. 68 and No. 71, is discussed in more detail in Notes 10 and 11 in the notes to financial statements.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2015 and 2014

| | Governmental Activities | |
|----------------------------------|------------------------------------|----------------------|
| | 2015 | 2014 |
| Current and other assets | \$ 2,923,985 | \$ 2,821,225 |
| Capital assets, net | 20,289,972 | 20,772,697 |
| Total Assets | 23,213,957 | 23,593,922 |
| Deferred outflows of resources | 370,153 | 284,789 |
| Long-term liabilities | 6,810,039 | 6,646,935 |
| Other liabilities | 1,087,427 | 828,495 |
| Total Liabilities | 7,897,466 | 7,475,430 |
| Deferred inflows of resources | 195,651 | |
| Net Position: | | |
| Net investment in capital assets | 16,596,504 | 16,199,933 |
| Restricted | 183,883 | 219,978 |
| Unrestricted | (1,289,394) | (586,208) |
| Total Net Position | \$ 15,490,993 | \$ 15,833,703 |

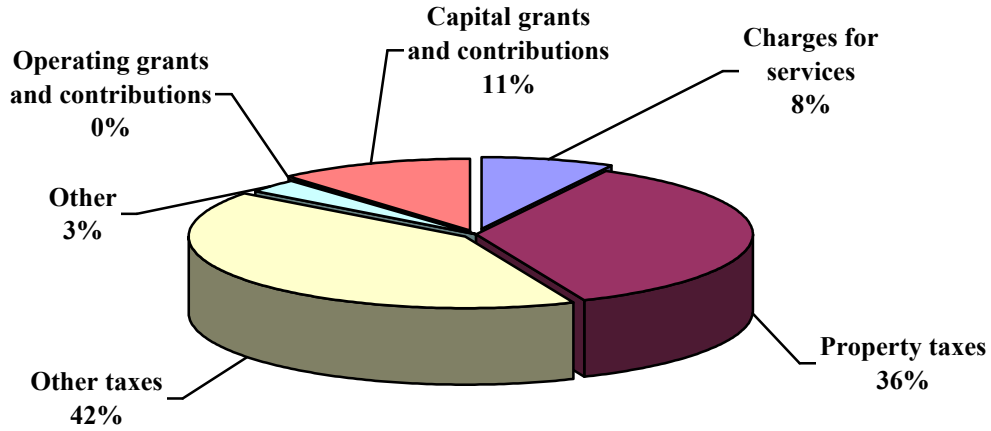
Net position of the City, which relate to governmental activities, decreased by \$342,710. Key elements of the decrease are as follows:

CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2015 and 2014

| | Governmental Activities | |
|------------------------------------|------------------------------------|----------------------|
| | 2015 | 2014 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 451,731 | \$ 479,542 |
| Operating grants and contributions | 23,720 | 53,699 |
| Capital grants and contributions | 656,526 | 305,002 |
| General revenues: | | |
| Property taxes | 2,093,233 | 2,052,513 |
| Other taxes | 2,426,127 | 2,391,250 |
| Other | 182,998 | 72,747 |
| Total Revenues | 5,834,335 | 5,354,753 |
| Expenses | | |
| General government | 3,621,038 | 3,541,999 |
| Public safety | 126,851 | 125,927 |
| Public works | 1,625,261 | 1,552,940 |
| Grants | 656,526 | 305,002 |
| Interest and fiscal charges | 147,369 | 146,596 |
| Total Expenses | 6,177,045 | 5,672,464 |
| Change in Net Position | (342,710) | (317,711) |
| Net Position, Beginning | 15,833,703 | 16,151,414 |
| Net Position, Ending | \$ 15,490,993 | \$ 15,833,703 |

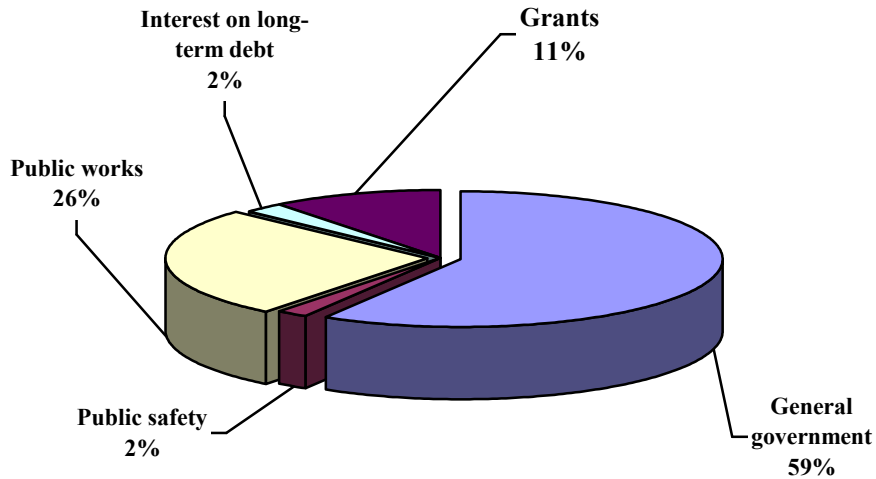
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2015, revenue from governmental activities totaled \$5,834,335.

GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2015, expenses from governmental activities totaled \$6,177,045, the largest portion of which relates to general government (59%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed as follows:

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, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2015, the City's governmental funds reported an ending fund balance of \$1,714,000, which is an increase of \$22,886 from last year's total of \$1,691,114. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. The unassigned General Fund fund balance represents 24.5 percent of total General Fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were no material increases or decreases in appropriations between the original and final budget of the General Fund, except for capital outlay. The original budget for capital outlay was increased by \$131,542 during the 2015 fiscal year for a new roof on City Hall (\$97,000), additional construction costs over bond for the Justice Center (\$26,000), computer hardware and software (\$3,842) and a new projector (\$4,700).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's net investment in capital assets as of September 30, 2015, amounts to \$20,289,972 (net of accumulated depreciation). This net investment in capital assets includes land and improvements, buildings, machinery and equipment and infrastructure.

SCHEDULE OF CAPITAL ASSETS (Net of Accumulated Depreciation) September 30, 2015 and 2014

| | Governmental Activities | |
|-------------------------------|------------------------------------|----------------------|
| | 2015 | 2014 |
| Non-Depreciable Assets | | |
| Land and improvements | \$ 598,548 | \$ 598,548 |
| Construction in progress | | 3,414,292 |
| Depreciable Assets | | |
| Buildings | 3,790,247 | 384,269 |
| Machinery and equipment | 894,414 | 790,107 |
| Infrastructure | 12,626,212 | 13,074,576 |
| Infrastructure improvements | 2,380,551 | 2,510,905 |
| Totals | \$ 20,289,972 | \$ 20,772,697 |

Additional information on the City's capital assets can found in Note 4 in the notes to financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt outstanding of \$6,810,039.

SCHEDULE OF LONG-TERM DEBT September 30, 2015 and 2014

| | Governmental Activities | |
|--------------------------|------------------------------------|---------------------|
| | 2015 | 2014 |
| General obligation bonds | \$ 3,290,000 | \$ 3,420,000 |
| Bond premium | 170,960 | 181,017 |
| Capital leases | 222,067 | 239,269 |
| Compensated absences | 682,215 | 610,373 |
| Net pension liability | 2,444,797 | 122,105 |
| Total | \$ 6,810,039 | \$ 4,572,764 |

All general obligation bonds are scheduled to be retired by 2033.

Additional information on the City's long-term debt can found in Note 5 in the notes to financial statements.

GENERAL FUND HIGHLIGHTS

- Fund balance in the General Fund decreased to \$1,573,949. It is intended that, if needed, the use of available fund balance will avoid the need to significantly raise taxes in the near future.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Santa Fe, Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Santa Fe, Texas: Joe Dickson, City Manager, P. O. Box 950, Santa Fe, Texas 77510.

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BASIC FINANCIAL STATEMENTS

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CITY OF SANTA FE, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2015

| | <u>Primary Government Governmental Activities</u> | <u>Component Unit Santa Fe Economic Development Corporation</u> |
|--|---|---|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 171,077 | \$ 60,954 |
| Investments | 1,632,637 | 1,397,995 |
| Property taxes receivable | 148,753 | |
| Intergovernmental receivable | 277,696 | 1,259,975 |
| Other receivables | 649,990 | |
| Prepays | 25,420 | |
| Restricted cash and cash equivalents | 18,412 | |
| Capital assets net of accumulated depreciation | 20,289,972 | 233,654 |
| Total Assets | <u>23,213,957</u> | <u>2,952,578</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Deferred outflows | 370,153 | |
| Total Deferred Outflows of Resources | <u>370,153</u> | |
| <u>Liabilities</u> | | |
| Accounts payable and other current liabilities | 495,778 | 3,347 |
| Accrued interest payable | 10,441 | |
| Refundable deposits | 116,400 | |
| Unearned revenue | 464,808 | |
| Noncurrent liabilities: | | |
| Due within one year | 325,529 | |
| Due in more than one year | 6,484,510 | |
| Total Liabilities | <u>7,897,466</u> | <u>3,347</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Deferred inflows | 195,651 | |
| Total Deferred Inflows of Resources | <u>195,651</u> | |
| <u>Net Position</u> | | |
| Net investment in capital assets | 16,596,504 | 233,654 |
| Restricted | 183,883 | 2,715,577 |
| Unrestricted | (1,289,394) | |
| Total Net Position | <u>\$ 15,490,993</u> | <u>\$ 2,949,231</u> |

See Notes to Financial Statements.

CITY OF SANTA FE, TEXAS

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---|---------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants & Contributions</u> | <u>Capital Grants & Contributions</u> |
| Governmental Activities: | | | | |
| General government | \$ 670,628 | \$ 23,566 | \$ | \$ |
| Tax | 18,895 | | | |
| Community services | 290,502 | 190,424 | | |
| Judicial/police | 2,408,205 | 226,116 | 15,975 | |
| Fire marshal | 15,880 | | | |
| Public safety | 84,263 | | | |
| Library | 212,266 | 3,354 | 7,745 | |
| Streets | 1,540,998 | 875 | | |
| Parks | 110,971 | | | |
| Community center | 20,542 | 7,396 | | |
| Interest on long-term debt | 147,369 | | | |
| Grant expenditures | 656,526 | | | 656,526 |
| Total Governmental Activities | 6,177,045 | 451,731 | 23,720 | 656,526 |
| Component Unit: | | | | |
| Santa Fe Economic Development Corporation | 150,122 | | | |
| Total Component Unit | 150,122 | | | |
| Totals | \$ 6,327,167 | \$ 451,731 | \$ 23,720 | \$ 656,526 |

General Revenues:

Taxes:

Property taxes, penalties and interest

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position, Beginning

Net Position, Ending

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | |
|---|---|
| Primary Government Governmental Activities | Component Unit Santa Fe Economic Development Corporation |
| \$ (647,062) | \$ |
| (18,895) | |
| (100,078) | |
| (2,166,114) | |
| (15,880) | |
| (84,263) | |
| (201,167) | |
| (1,540,123) | |
| (110,971) | |
| (13,146) | |
| (147,369) | |
| (5,045,068) | |
| | (150,122) |
| | (150,122) |
| \$ (5,045,068) | \$ (150,122) |
| \$ 2,093,233 | \$ |
| 1,680,305 | 556,527 |
| 745,822 | |
| 14,936 | 1,264 |
| 168,062 | |
| 4,702,358 | 557,791 |
| (342,710) | 407,669 |
| 15,833,703 | 2,541,562 |
| \$ 15,490,993 | \$ 2,949,231 |

CITY OF SANTA FE, TEXAS

Exhibit A-3

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2015

| | General Fund | Debt Service Fund | Special Revenue Fund | Totals Governmental Funds |
|--|-------------------------|----------------------------------|-------------------------------------|--|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 33,354 | \$ 137,723 | \$ | \$ 171,077 |
| Investments | 1,632,637 | | | 1,632,637 |
| Receivables: | | | | |
| Taxes | 137,218 | 11,535 | | 148,753 |
| Intergovernmental | 83,729 | | 193,967 | 277,696 |
| Other | 647,837 | 2,153 | | 649,990 |
| Prepays | 25,420 | | | 25,420 |
| Restricted cash and equivalents | 18,412 | | | 18,412 |
| Total Assets | \$ 2,578,607 | \$ 151,411 | \$ 193,967 | \$ 2,923,985 |
| <u>Liabilities, Deferred Inflows and Fund Balances</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 301,811 | \$ | \$ 193,967 | \$ 495,778 |
| Refundable deposits | 116,400 | | | 116,400 |
| Unearned revenue | 464,808 | | | 464,808 |
| Total Liabilities | 883,019 | | 193,967 | 1,076,986 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue-property taxes | 121,639 | 11,360 | | 132,999 |
| Total Deferred Inflows of Resources | 121,639 | 11,360 | | 132,999 |
| <u>Fund Balances</u> | | | | |
| Restricted | 43,832 | 140,051 | | 183,883 |
| Assigned | 287,759 | | | 287,759 |
| Unassigned | 1,242,358 | | | 1,242,358 |
| Total Fund Balances | 1,573,949 | 140,051 | | 1,714,000 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 2,578,607 | \$ 151,411 | \$ 193,967 | \$ 2,923,985 |

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

| | |
|--|---------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | \$ 20,289,972 |
| Long-term liabilities, including capital leases and the net pension liability, are not due and payable in the current period and are therefore not reported in the funds. | (6,820,480) |
| Deferred inflows and outflows of resources pertaining to actuarial pension differences between expected and actual economic experience (\$195,651), projected and actual investment earnings (\$76,209) and pension contributions made subsequent to the measurement date (\$293,944) are not financial resources and, therefore, are not reported in the funds. | 174,502 |
| Revenues that do not provide current financial resources are reported as deferred in the funds. | 132,999 |

Net Position of Governmental Activities

\$ 15,490,993

See Notes to Financial Statements.

CITY OF SANTA FE, TEXAS

Exhibit A-4

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

Year Ended September 30, 2015

| | General Fund | Debt Service Fund | Special Revenue Fund | Totals Governmental Funds |
|--|-------------------------|------------------------------|-------------------------------------|--|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 1,775,812 | \$ 292,960 | \$ | \$ 2,068,772 |
| Penalties and interest | 29,861 | 3,259 | | 33,120 |
| Sales taxes | 1,680,305 | | | 1,680,305 |
| Franchise taxes | 745,822 | | | 745,822 |
| Licenses and permits | 189,635 | | | 189,635 |
| Fines and forfeitures | 229,294 | | | 229,294 |
| Investment earnings | 4,475 | 404 | | 4,879 |
| Intergovernmental | 4,275 | | 656,526 | 660,801 |
| Other | 232,532 | | | 232,532 |
| Total Revenues | 4,892,011 | 296,623 | 656,526 | 5,845,160 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government | 3,534,939 | | | 3,534,939 |
| Public safety | 115,220 | | | 115,220 |
| Public works | 825,402 | | | 825,402 |
| Grant expenditures | | | 656,526 | 656,526 |
| Capital outlay | 579,464 | | | 579,464 |
| Debt Service: | | | | |
| Principal payments | | 130,000 | | 130,000 |
| Interest and fiscal charges | 5,816 | 131,550 | | 137,366 |
| Total Expenditures | 5,060,841 | 261,550 | 656,526 | 5,978,917 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (168,830) | 35,073 | | (133,757) |
| <u>Other Financing Sources</u> | | | | |
| Capital lease | 156,643 | | | 156,643 |
| Total Other Financing Sources | 156,643 | | | 156,643 |
| Net Change in Fund Balances | (12,187) | 35,073 | | 22,886 |
| Fund Balances - Beginning | 1,586,136 | 104,978 | | 1,691,114 |
| Fund Balances - Ending | \$ 1,573,949 | \$ 140,051 | \$ | \$ 1,714,000 |

See Notes to Financial Statements.

CITY OF SANTA FE, TEXAS

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

Year Ended September 30, 2015

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

| | |
|--|-----------------------------------|
| Net change in fund balances - total governmental funds | \$ 22,886 |
| Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 242,060 |
| 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. This is the amount by which capital outlays exceeded depreciation in the current period. | (482,725) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | (156,643) |
| Some expenses reported in the Statement of Activities do not require the use of financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in the net pension liability (\$160,661), deferred outflows of resources (\$85,364), deferred inflows of resources (\$195,651) and accrued interest (\$10,003). | 40,371 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment reflects the net change in property taxes receivable on the accrual basis of accounting. | <u>(8,659)</u> |
| Change in Net Position of Governmental Activities | \$ <u><u>(342,710)</u></u> |

See Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Santa Fe, Texas, was incorporated by virtue of an election held before the town of Santa Fe residents on January 21, 1978. County Judge Ray Holbrook then declared the City of Santa Fe duly incorporated for municipal purposes. The City operates under a council-manager form of government and provides the services specifically authorized by its charter.

The financial statements of the City of Santa Fe, Texas have been prepared in accordance with generally accepted accounting principles accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (“FASB”) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. The City is considered a primary government for financial reporting purposes; its activities are not considered a part of any other governmental or other type of reporting entity. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the aforementioned criteria, the City of Santa Fe Section 4B Economic Development Corporation is the only component unit that should be included in the City’s basic financial statements. The Corporation is presented discretely and the financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. The discretely presented component unit has a September 30 year-end and only has governmental activities.

Discretely Presented Component Unit — The City of Santa Fe Section 4B Economic Development Corporation was organized for the purpose of aiding, assisting and acting on behalf of the City of Santa Fe to promote and develop economic development projects designed to promote new and expanded business enterprises. The members of the Corporation’s governing board as well as its operational and capital budgets are approved by City Council. The operations of the Corporation are governmental in nature.

The Corporation issues separately audited financial statements and copies of the statements can be obtained at the following address:

City of Santa Fe Section 4B Economic Development Corporation
12002 Highway 6
P.O. Box 950
Santa Fe, Texas 77510

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NOTES TO FINANCIAL STATEMENTS

Basic Financial Statements

General

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (focusing on the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's judicial and police protection, parks, library, streets, public safety, community center, community services, special projects, and general administrative services are classified as governmental activities. The City of Santa Fe does not operate any business-type activities.

Government-Wide Statements

In the government-wide Statement of Net Position information is reported on all the non-fiduciary activities of the primary government and its legally separate component unit. For the most part, the effect of interfund activity has been removed from this statement. The statement of net position presents the governmental activities in a column on a consolidated basis and a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities also reports on all the non-fiduciary activities of the primary government and its legally separate component unit. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The City does not allocate indirect costs. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that meet the qualifications of GASB Statement No. 34.

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*. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred; regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met.

CITY OF SANTA FE, TEXAS

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NOTES TO FINANCIAL STATEMENTS

Governmental Fund financial statements are reported using the *current resources measurement focus and the modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balances are generally included on the balance sheet. 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 sixty days of the end of the current fiscal period. The City records property tax revenues and municipal court fines on the cash basis until year end, at which time receipts received within sixty days of year end are accrued and the remaining amount deferred until they become available. Sales taxes, which are subsequently remitted to the City, are recognized as revenues and receivables when collected by the authorized agents. Franchise tax revenue is also recognized by the City as revenue in the year it is measurable and available. Licenses and permit fees, fines and forfeitures, and miscellaneous other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. For intergovernmental revenues related to expenditure-driven grants, revenues are recognized when the expenditure is made. Revenues from general purpose grants are recognized in the period to which the grant applies. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payments are due. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

Unavailable Revenue is reported when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the government has legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

The funds of the financial reporting entity are described below:

Governmental Funds:

The focus of the governmental funds’ measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - the General Fund is the primary operating fund of the City and is always classified as a major fund. It accounts for all financial resources and transactions not required to be accounted for in another fund.

Debt Service Fund – the Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the City's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Special Revenue Fund – the special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes. The following grants are included in this fund:

Community Development Block Grant – Community Development 2013/2014 Grant – Contract #7214401 – this grant is used to replace water lines in the City limits that are deteriorated resulting in inadequate water pressure and frequent maintenance issues.

Community Development Block Grant – Disaster Recovery Grant Program – Contract UGLO13- 078-000-7101 - Round 2.2- this grant is used to facilitate disaster relief, recovery, restoration and economic revitalization in areas affected by Hurricane Ike. The funds purchased and installed a new ground storage tank at an existing plant and sewer line rehabilitation in various approved locations.

CITY OF SANTA FE, TEXAS

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NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit. No more than 20% of the portfolio may be invested for a period greater than one year and no portion of a portfolio may be invested for a period greater than two years.

Investments

The investment policy of the City sets forth specific investment guidelines to insure safety, liquidity, diversification, yield, and public trust. The investments authorized by the policy, which is guided by state law, generally include: obligations of the United States of America or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; fully collateralized certificate of deposits; and other obligations, in which the principal and interest are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States of America or their respective agencies and instrumentalities. The City of Santa Fe has also adopted a resolution and a participation agreement that authorizes participation in investment pools.

Investments for the City are reported at fair value and are in compliance with the City investment policy and state statutes governing investments. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables

Receivables at September 30, 2015 including the applicable allowances for uncollectible amounts, consist of the following:

| | Governmental Activities | | | |
|-------------------|--------------------------------|-------------------------|----------------------------|---------------------|
| | General | Debt Service | Special Revenue | Totals |
| Property taxes | \$ 137,218 | \$ 11,535 | \$ | \$ 148,753 |
| Intergovernmental | 83,729 | | 193,967 | 277,696 |
| Other | 647,837 | 2,153 | | 649,990 |
| Totals | \$ 731,566 | \$ 2,153 | \$ 193,967 | \$ 1,076,439 |

Capital Assets

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, drainage systems and similar items) are reported at cost or estimated historical cost, including all ancillary charges necessary to place the asset in its intended location and condition for use. Donated capital assets are reported at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest costs related to a capital asset or incurred during the construction phase of a capital asset is expensed and not capitalized. Capital assets are defined for financial statement purposes as assets with an estimated economic useful life in excess of one year and meet specific capitalization thresholds. They are depreciated using the straight line method of depreciation. The following represents the useful life and capitalization threshold of the City’s capital assets:

CITY OF SANTA FE, TEXAS

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NOTES TO FINANCIAL STATEMENTS

| <u>Asset Type</u> | <u>Useful Life</u> | <u>Capitalization Threshold</u> |
|------------------------------------|--------------------------------------|--|
| Land | Inexhaustible and non-depreciable | All land, regardless of cost or value |
| Buildings | 40 years | \$25,000 |
| Building Improvements | 15 years | \$25,000 |
| Improvements, Other Than Buildings | 15 years | \$20,000 |
| Infrastructure | 60 years | \$100,000 |
| Infrastructure Improvements | 15 years | \$100,000 |
| Computers and Computer Equipment | 5 years | \$1,000 |
| Equipment | 10 years | \$2,500 |
| Furniture | 10 years | \$1,000 |
| Radios and Communication Equipment | 10 years | \$1,000 |
| Vehicles | 10 years | \$2,500 |
| Library Books and Materials | 10 years | \$10,000 |

Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is expected to be liquidated after one year, they are classified as “advances to other funds” or “advances from other funds”. Interfund transfers are used to (1) move revenues from the fund that statute or budget requires receive the revenues to the fund that statute or budget requires expend them, or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Compensated Absences

Annual vacation leave, according to a graduated scale based on years of employment, or Section 143.046 of the Texas Local Government Code for collective bargaining personnel, is credited to employees on a pro-rata basis at the beginning of each month. While it is the intent of the City that all earned vacation will be taken by the employee within the twelve month period of the employee’s anniversary date, unused vacation hours can be deferred beyond the twelve month period subject to approval by appropriate management. Earned but unused vacation is normally paid to the employee in cases of resignation, retirement, or death.

Sick leave benefits are also provided to all eligible, regular employees at a rate of eight hours per month of service, or ninety six hours per year, for employees not covered by collective bargaining. Collective bargaining employees accumulate sick leave in accordance with the provisions of Section 143.045 of the Texas Local Government Code. Eligible part-time employees accrue sick leave benefits at one-half the rate of full time employees. Unused sick leave benefits are allowed to accumulate to a maximum of 180 days; however, collective bargaining employees may accumulate sick leave without limit. Upon termination of an employee in good standing, the payment of accrued sick leave benefits may be authorized up to one-third of the lesser of (a) the accumulated, unused sick leave, or (b) ninety days. Collective bargaining employees who leave service for any reason are entitled to a lump-sum payment of the lesser of the accrued sick leave benefits or ninety days. The City also has adopted policies of

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NOTES TO FINANCIAL STATEMENTS

compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and also provide that time not used will be paid in cash in accordance with the Act.

For the governmental funds, accumulated compensated absences are normally paid from the General Fund and are treated as expenditures when paid. All compensated absences are accrued when incurred in the government-wide financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

All long-term obligations of the City relate directly to governmental fund activities. The City has no proprietary fund operations or business-type activities.

In the government-wide financial statements, all long-term debt to be repaid from governmental resources is reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of differences between expected and actual economic experiences.

| | <u>Governmental Activities</u> |
|--|---|
| Deferred Inflows of Resources | |
| Deferred inflows from pension activities | \$ 195,651 |
| Total Deferred Inflows of Resources | <u>\$ 195,651</u> |

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of differences between projected and actual investment earnings and pension contributions made subsequent to the actuarial measurement date.

| | <u>Governmental Activities</u> |
|---|---|
| Deferred Outflows of Resources | |
| Deferred outflows from pension activities | \$ 370,153 |
| Total Deferred Outflows of Resources | <u>\$ 370,153</u> |

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Unamortized Bond Premium or (Discount)

Included within long-term liabilities are the unamortized bond premium or (discount). They are being amortized over the life of the related obligation on the straight-line method. Results obtained are not materially different from the interest method.

Equity Classifications

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position — This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents the net position of the City, which are not restricted for any project or other purpose. A deficit will require future funding.

In the Fund Financial Statements, beginning with the 2010-11 fiscal year, the City implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance - Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form - such as inventory or prepaid amounts, or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - Committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes the constraints by taking the same type of formal action that imposed the restraints originally (e.g., resolution, ordinance).

Assigned Fund Balance - Assigned fund balances are amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Decisions with regard to these amounts do not have to be made at the highest decision-making level. They may be made by a committee or other government official to which the City Council delegates the authority. The constraints imposed by an assignment are more easily imposed and removed.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the General Fund. This represents General 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. These are amounts not previously included in the other categories which are technically available for any purpose and represent resources that are available for additional appropriation.

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NOTES TO FINANCIAL STATEMENTS

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred in unrestricted fund balances in which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Subsequent events have been evaluated through March 2, 2016, which is the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

Policy

The City's Investment Policy specifies that depository services must be approved by City Council. The City Manager and City Secretary/Treasurer are designated as investment officers of the City and are responsible for investment decisions and activities. All deposits and investments of City funds shall be secured by pledged collateral. The collateralization level will be 102 per cent of market value of principal and accrued interest on the deposits or investments less an amount insured by FDIC. In accordance with its investment policy, the City manages its exposure to declines in fair market values by not investing more than 20% of the portfolio for a period greater than one year and no portion of a portfolio may be invested for a period greater than two years. As of September 30, 2015, all of the City's investments were invested for a period of one year or less. It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA by a nationally recognized rating agency. Investment pools must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. The investments of the City are in compliance with the Council's investment policy. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments and deposits were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

Deposits

Deposits were with the contracted depository bank in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and pledged by U. S. Government securities. The pledge agreement requires that the City have a first and prior lien on the securities to the extent of its funds on deposit and that none of the securities can be pledged or subjected to any lien other than that of the City. The City's deposits are categorized below to indicate the level of risk assumed by the City as of September 30, 2015:

1. Insured or collateralized with securities held by the City or by its agent in the City's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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NOTES TO FINANCIAL STATEMENTS

- 3. Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City’s name.

For deposits, custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned to it. Protection of City cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the financial institutions holding the assets. The City’s deposits at September 30, 2015, were secured by depository insurance or by collateral held by a third-party custodian in the City’s name, and therefore were not exposed to custodial credit risk.

At year-end, the City’s carrying amount of deposits was \$1,445,508 and the bank balance was \$1,517,179. Of this bank balance, \$250,000 is covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution or by its trust department or agent in the City’s name (Risk Category 1).

At year-end, the carrying value of cash and cash equivalents (which approximated fair value) consisted of:

| | Carrying Amount |
|---|----------------------------|
| Demand and time deposits | \$ 188,989 |
| Petty cash | 500 |
| Total Cash and Cash Equivalents | 189,489 |
| Less restricted Cash and Cash Equivalents | (18,412) |
| Unrestricted Cash and Cash Equivalents | \$ 171,077 |

Investments

TexPool - The City is a participant in a Texas Local Government Investment Pool (“TexPool”), an external investment pool that has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two Acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor’s. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as the office of the Comptroller of Public Accounts for review. In addition to its annual review by an independent auditor, TexPool is subject to review by the State Auditor and the Internal Auditor of the Comptroller’s Office. Results of these annual reviews may be obtained from TexPool Participant Services, c/o Federated Investors, Inc., 1001 Texas Avenue, Suite 1400, Houston, Texas 77002.

The City had \$75,190 invested in TexPool as of September 30, 2015. TexPool’s administrative and investment services are provided by Federated Investors, Inc., and the assets are safe kept in a separate custodial account at State Street Bank and Trust in the name of TexPool. Its portfolio is made up of the following:

- 1. Obligations of the United States Government, its agencies and instrumentalities with a maximum final maturity of 397 days for fixed rate securities and 24 months for variable rate notes.

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NOTES TO FINANCIAL STATEMENTS

2. Fully collateralized repurchase agreements and reverse repurchase agreements (a) with a defined termination dates, (b) secured by obligations of the United States, its agencies, or its instrumentalities, including certain mortgage-backed securities, (c) that require purchased securities to be pledged to the investing entity, in the entity's name, and deposited at the time of investment with the investing entity or a third party, and (d) that are placed through primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas. The term of a reverse repurchase agreement may not exceed 90 days after the date of delivery. The maximum maturity on repurchase agreements may not exceed 181 days.
3. No-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. The money market mutual fund must maintain a dollar-weighted average stated maturity of 90 days or less and include in its investment objectives the maintenance of a stable net asset value of \$ 1.00.
4. Securities lending program that comply with various limitations.

TexPool will not invest in derivatives, commercial paper, or certificates of deposit.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. These TexPool balances are not evidenced by securities that exist in physical or book entry form and, accordingly, are not categorized by credit risk. However, the nature of these funds requires that they be used to purchase investments authorized by the Texas Public Funds Investment Act. The primary objective of these investment pools is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments.

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies, and instrumentalities; repurchase agreements; no-load AAAM money market mutual funds registered with the Securities and Exchange Commission, and securities lending programs. The TexPool portfolio is designed and managed to ensure it maintains its AAAM rating (or equivalent) by a nationally recognized rating agency.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, TexPool would not be able to recover the loss of its investments or collateral securities that are in the possession of an outside entity. To minimize custodial credit risk, all of TexPool's investments are held by the Federal Reserve or the custodian in TexPool's name. TexPool's bank balances are fully collateralized by Federal depository insurance or collateralized by the institution holding the funds.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. TexPool's portfolio has low interest rate risk due to restrictions on weighted average maturity and maximum maturity of any one investment. TexPool's investment manager will maintain the weighted average maturity of the portfolio at sixty (60) days or less, no fixed rate security will exceed 397 days in maturity, and no variable rate note will exceed 24 months in maturity. The investment manager is required to maintain a stable \$1.00 price per unit (net asset value), however, the \$1.00 price is not guaranteed or insured by the State of Texas. Immediate action must be taken if the net asset value of the portfolio falls below \$0.995 or rises above \$1.005. These limitations are designed to minimize interest rate risk.

LOGIC - The City is a participant in a Local Government Investment Cooperative ("LOGIC") that has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

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NOTES TO FINANCIAL STATEMENTS

The Cooperative's governing body is a five-member board of directors comprised of individuals who are employees, officers, or elected officials of Participants in the Cooperative or who do not have a business relationship with the Cooperative and are qualified to advise. The Logic bylaws also permit a maximum of two advisory directors to serve in a non-voting advisory capacity. These advisory directors shall be employees or members of the firms providing managerial services to Logic. The Cooperative offers various investment alternatives for Texas Government Entities. Currently, the Board has authorized one portfolio, "LOGIC I," which is available to participants. The City participates in the LOGIC I Portfolio which seeks preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. In order to comply with the Public Funds Investment Act, all portfolios will maintain a AAA or equivalent rating from at least one nationally recognized rating agency. The Logic Portfolio has been assigned a rating of AAAM by Standard & Poor's. An explanation of the significance of such ratings may be obtained from Standard & Poor's, 1221 Avenue of the Americas, New York, New York 10041.

The City had \$218,742 invested in LOGIC I as of September 30, 2015. The LOGIC I Portfolio is comprised of the following eligible investments:

1. Obligations of the United States or its agencies and instrumentalities with a maximum final stated maturity of 397 days for fixed securities and 24 months for variable rate notes;
2. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States with a maximum maturity of 13 months;
3. Repurchase agreements with a defined termination date not to exceed 95 days, secured by obligations of the United States or its agencies and instrumentalities, or other obligations on which the principal and interest are unconditionally guaranteed or insured by the United States, which are collateralized fully;
4. Securities and Exchange Commission registered money market funds authorized by the Public Funds Investment Act and rated in the highest rating category by at least one nationally recognized rating agency; and
5. Commercial paper that has a stated maturity of 270 days or fewer from the date of its issuance that is rated A-1 or P-1 or equivalent by two nationally recognized rating agencies or that is rated A-1 or P-1 or equivalent by one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

The Board has entered into a contract with First Southwest Asset Management, Inc. and J.P. Morgan Investment Management, Inc. to serve as Co-Administrators of the Cooperative. Day to day administration of the Cooperative will be performed by First Southwest Asset Management, Inc. and J.P. Morgan Investment Management, Inc. First Southwest will provide administrative, participant support, and marketing services. J.P. Morgan Investment Management, Inc. or its affiliates will provide investment management, custody, fund accounting, and transfer agency services. J.P. Morgan Chase Bank, N.A. is the custodian for the Cooperative.

The financial statements of the Cooperative are examined and a certification issued by an independent certified public accounting firm. An Annual Report including the auditor's opinion is issued as of the close of the Cooperative's fiscal year, which ends August 31. Results of the annual report, investment policies, and an information statement can be obtained from LOGIC Participant Services, 325 North St Paul Street, Suite 800, Dallas, Texas 75201.

LOGIC I is deemed a "2a7-like Pool" under Governmental Accounting Standards Statement No. 31. The Cooperative will operate the portfolio in a manner consistent with Rule 2a7 in all respects. This rule

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provides an exception to the fair value reporting for investments. Approved investments are carried at cost, which approximates market and may be liquidated as needed. These investments are not subject to credit risk categorization since the Council is not issued securities, but rather owns an undivided beneficial interest in the securities of the Portfolio. The Portfolio is not secured by an insurance policy, federal deposit insurance, or other secondary guarantee and is subject to investment risk, including possible loss of principal amount invested.

Credit risk is the possibility that the issuer of a bond or other security will fail to make timely payments of interest or principal. Logic I Portfolio will invest in obligations of the United States, its agencies or instrumentalities, and other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the United States. The portfolio may invest in obligations that offer more varied credit risk but only upon being satisfied that the credit risk is minimal.

Interest rate risk is the potential for a decline in market value due to rising interest rates. The Logic 1 Portfolio presents little interest rate risk. The dollar-weighted average maturity of the portfolio is 60 days or less (or fewer days, if required to maintain its rating) and the maximum final stated maturity of the portfolio will not exceed 90 days. The portfolio's maximum final stated maturity is 397 days for fixed rate securities and 24 months for variable rate securities. The Board has determined, in good faith, that it is in the best interest of the portfolio to maintain a stable net asset value of \$1.00 per unit. Investments in the portfolio are neither insured nor guaranteed by the U.S. Government and there can be no assurance that the portfolio will maintain a stable net asset value of \$1.00. Policies have been established to stabilize, to the extent reasonably possible, the net asset value per unit of \$ 1.00.

Concentration of credit risk is the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specified issuer. The investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any other instrument. As of September 30, 2015, the City had no concentration of credit risk.

NOTE 3 - PROPERTY TAXES

Property taxes are levied annually in October on the assessed (appraised) taxable valuation of property located within the City as of the preceding January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Galveston County Appraisal District at 100% of estimated fair market value. The County of Galveston bills and collects the property taxes and remits to the City its portion. The City's property tax calendar is as follows:

| | |
|------------|--|
| October | Taxes are levied and are due upon receipt of the tax bill |
| January 1 | Tax lien attaches to properties within City |
| February 1 | Penalty and interest charged if taxes are not paid |
| July 1 | Additional 20% penalty is charged if taxes are not paid; penalty is payable to the delinquent tax attorney |

Property taxes represent a non-exchange transaction, in which the City receives value without directly giving equal value in return. In the government-wide financial statements, property taxes are recorded on the accrual basis, in which revenue is recognized in the fiscal year for which the taxes are levied. In the fund financial statements property taxes are recognized on the modified accrual basis of accounting. This basis of accounting requires that the taxes be both measurable and available to finance current year expenditures. Therefore, the taxes are recorded as revenue in the period levied to the extent they are collected 60 days of year-end.

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NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the primary government's capital assets for the year ended September 30, 2015, is as follows:

| | <u>Balances</u> <u>Oct. 1, 2014</u> | <u>Increases</u> | <u>(Decreases)</u> | <u>Balances</u> <u>Sept. 30, 2015</u> |
|---|--|---------------------|-----------------------|--|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 598,548 | \$ | \$ | \$ 598,548 |
| Construction in progress | 3,414,292 | 22,398 | (3,436,690) | |
| Total capital assets not being depreciated | <u>4,012,840</u> | <u>22,398</u> | <u>(3,436,690)</u> | <u>598,548</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 712,068 | 3,436,690 | (52,251) | 4,096,507 |
| Building improvements | 283,445 | 96,950 | (140,380) | 240,015 |
| Computers | 317,784 | 39,628 | (6,943) | 350,469 |
| Equipment | 1,174,432 | 192,660 | | 1,367,092 |
| Furniture and fixtures | 14,606 | 38,839 | | 53,445 |
| Improvements (other than buildings) | 92,099 | | | 92,099 |
| Infrastructure | 26,845,854 | | | 26,845,854 |
| Infrastructure improvements | 4,239,047 | 154,969 | | 4,394,016 |
| Radios | 195,751 | 10,280 | | 206,031 |
| Vehicles | 700,617 | 23,740 | (10,915) | 713,442 |
| Total capital assets being depreciated | <u>34,575,703</u> | <u>3,993,756</u> | <u>(210,489)</u> | <u>38,358,970</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (377,802) | (109,797) | 46,122 | (441,477) |
| Building improvements | (233,442) | (11,736) | 140,380 | (104,798) |
| Computers | (284,563) | (22,432) | 6,943 | (300,052) |
| Equipment | (885,035) | (87,294) | | (972,329) |
| Furniture and fixtures | (12,571) | (4,164) | | (16,735) |
| Improvements (other than buildings) | (47,829) | (6,155) | | (53,984) |
| Infrastructure | (13,771,278) | (448,364) | | (14,219,642) |
| Infrastructure improvements | (1,728,142) | (285,323) | | (2,013,465) |
| Radios | (89,647) | (17,470) | | (107,117) |
| Vehicles | (385,537) | (57,231) | 4,821 | (437,947) |
| Total accumulated depreciation | <u>(17,815,846)</u> | <u>(1,049,966)</u> | <u>198,266</u> | <u>(18,667,546)</u> |
| Total capital assets being depreciated, net | <u>16,759,857</u> | <u>2,943,790</u> | <u>(12,223)</u> | <u>19,691,424</u> |
| Governmental activities capital assets, net | <u>\$ 20,772,697</u> | <u>\$ 2,966,188</u> | <u>\$ (3,448,913)</u> | <u>\$ 20,289,972</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--------------------|---------------------|
| General government | \$ 13,270 |
| Community service | 4,903 |
| Police/judicial | 184,844 |
| Library | 11,123 |
| Streets | 817,344 |
| Community center | 6,806 |
| Fire marshal | 2,425 |
| Parks | 9,251 |
| Total | <u>\$ 1,049,966</u> |

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NOTES TO FINANCIAL STATEMENTS

A summary of changes in the discretely presented component unit (Santa Fe Economic Development Corporation) capital assets for the year ended September 30, 2015, is as follows:

| | Balances | | | Balances |
|--|---------------------|-------------------|--------------------|-----------------------|
| | Oct. 1, 2014 | Increases | (Decreases) | Sept. 30, 2015 |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 28,399 | \$ | \$ | \$ 28,399 |
| Construction in progress* | 28,793 | 176,462 | | 205,255 |
| Total capital assets not being depreciated | <u>\$ 57,192</u> | <u>\$ 176,462</u> | <u>\$</u> | <u>\$ 233,654</u> |

**Upon completion, construction in progress is conveyed to Galveston County Water Control and Improvement District No. 8 per interlocal agreement.*

The total component unit capital asset balance of \$233,654 was related to the following commitment:

| | |
|--|--------------------------|
| FM 1764 Waterline Extension Project from Winston Street to Avenue S | <u>\$ 233,654</u> |
| Total | <u><u>\$ 233,654</u></u> |

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of bonds payable, capital lease obligations, compensated absences and net pension obligation. The following is a summary of changes in long-term debt for the year ended September 30, 2015:

| | Balances | | | Balances | Amounts |
|--------------------------------------|---------------------|---------------------|---------------------|-----------------------|-------------------|
| | Oct. 1, 2014 | Additions | (Reductions) | Sept. 30, 2015 | Due Within |
| | | | | | One Year |
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 3,420,000 | \$ | \$ (130,000) | \$ 3,290,000 | \$ 135,000 |
| Bond premium | 181,017 | | (10,057) | 170,960 | |
| Capital leases | 239,269 | 156,643 | (173,845) | 222,067 | 122,307 |
| Compensated absences | 610,373 | 390,700 | (318,858) | 682,215 | 68,222 |
| Net pension liability | 122,105 | 2,483,353 | (160,661) | 2,444,797 | |
| Total Governmental Activities | <u>\$ 4,572,764</u> | <u>\$ 3,030,696</u> | <u>\$ (793,421)</u> | <u>\$ 6,810,039</u> | <u>\$ 325,529</u> |

Bonds

Payments of principal and interest on the bonds are to be provided from tax levies on properties within the City. Investment income realized by the Debt Service Fund from the investment of funds will be used to pay outstanding bond principal and interest.

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NOTES TO FINANCIAL STATEMENTS

Bonds payable at September 30, 2015, is comprised of the following individual issue:

| <u>Series</u> | <u>Original Issue</u> | <u>Matures</u> | <u>Interest Rate (%)</u> | <u>Interest Payment Dates</u> | <u>Debt Outstanding</u> |
|--|-----------------------|----------------|--------------------------|-------------------------------|-------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds, Series 2013 | \$ 3,535,000 | 2033 | 3.0-5.0 | March 1/ Sept. 1 | \$ 3,290,000 |
| Total | | | | | <u><u>3,290,000</u></u> |

As of September 30, 2015, the debt service requirements on bonds outstanding for the next five fiscal years to maturity through 2033 are as follows:

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | | |
|----------------------------------|--------------------------------|----------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
| 2016 | \$ 135,000 | \$ 127,075 | \$ 262,075 |
| 2017 | 140,000 | 122,950 | 262,950 |
| 2018 | 145,000 | 118,675 | 263,675 |
| 2019 | 150,000 | 114,250 | 264,250 |
| 2020 | 150,000 | 109,750 | 259,750 |
| 2021-2025 | 830,000 | 473,600 | 1,303,600 |
| 2026-2030 | 1,010,000 | 296,800 | 1,306,800 |
| 2031-2033 | 730,000 | 56,000 | 786,000 |
| Totals | <u><u>\$ 3,290,000</u></u> | <u><u>\$ 1,419,100</u></u> | <u><u>\$ 4,709,100</u></u> |

The City is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

A summary of changes in the unamortized bond premium follows:

| | <u>Original Premium</u> | <u>Balance at October 1, 2014</u> | <u>Current Year Additions</u> | <u>Current Year Amortization</u> | <u>Balance September 30, 2015</u> |
|--|--------------------------|-----------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| General Obligation Bonds, Series 2013 | \$ 201,130 | \$ 181,017 | \$ | \$ 10,057 | \$ 170,960 |
| Totals | <u><u>\$ 201,130</u></u> | <u><u>\$ 181,017</u></u> | <u><u>\$</u></u> | <u><u>\$ 10,057</u></u> | <u><u>\$ 170,960</u></u> |

As September 30, 2015, the future minimum lease payments on the capital leases are as follows:

| | <u>Governmental Activities</u> |
|---|--------------------------------|
| Year Ending September 30: | |
| 2016 | \$ 127,796 |
| 2017 | 76,852 |
| 2018 | 24,646 |
| Total minimum lease payments | <u>229,294</u> |
| Less: amount representing interest | <u>(7,227)</u> |
| Present value of minimum lease payments | <u><u>\$ 222,067</u></u> |

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NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

In both the government-wide and governmental fund financial statements, no amounts were reported as “interfund receivables and payables,” “advances from or to other funds,” or “due to and from other funds” as of September 30, 2015. Also, no interfund transfers occurred.

NOTE 7 - RISK MANAGEMENT

During the normal course of business, the City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City’s risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. This pool is a risk-sharing pool providing insurance coverage to Texas municipalities and other governmental units. The risk pool is governed by a Board of Trustees which consists of 15 members, plus 3 ex-officio non-voting members, either elected or appointed in the manner specified per the TML bylaws. Each member of the Board must be either an employee or official of the governing body of an employee member of the Pool. The Board controls the operations of the risk pool and has various powers and duties as specified per the bylaws. Audited financial information for each risk pool may be obtained from the Chief Financial Officer, Texas Municipal League Intergovernmental Risk Pool, P.O. Box 149194, Austin, Texas 78714-9194. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The City has various deductible amounts ranging from \$1,000 to \$10,000 on various policies. TML will pay damages and claims subject to the limits of liability and stated deductible amounts per the approved declarations of coverage. Amounts over the stated limits of liability become the responsibility and risk of the City. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At year-end, the City did not have any significant probable claims.

The City also provides workers compensation insurance on its employees through TML. TML covers workers compensation claims up to the statutory limit. The City has no deductible for these claims.

The Texas Municipal League Intergovernmental Employee Benefits Pool (TML-IEBP) provides the City’s health, dental, and long-term disability insurance coverage for eligible employees and their dependents. The City pays 100 percent of the premiums for the employees’ coverage. The employee may choose to insure their dependents under the medical and dental plans. The employee is responsible for 100 percent of the cost of the dependent premiums and the premiums are payroll deducted each pay period. The City does not retain any risk of loss on health, dental, and long-term disability.

Hartford Life Insurance Company provides the City’s life and accidental death and dismemberment insurance coverage for eligible employees and their dependents. The City pays 100 percent of the premiums for the employees’ coverage which is two times an employee’s annual salary. The employee may choose to add supplemental life insurance for themselves and for their dependents. The employee is responsible for 100 percent of the cost of the supplemental insurance premiums and the premiums are payroll deducted each pay period. The City does not retain any risk of loss on life and accidental death and dismemberment.

CITY OF SANTA FE, TEXAS

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NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CONTINGENT LIABILITIES

Grants

The City receives financial assistance from federal, state, and local government agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the City at September 30, 2015.

Litigation

The City is a defendant to various legal proceedings, which normally occur in the course of governmental operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that due to insurance coverage maintained by the City, the resolution of such matters will not have a material adverse effect on the financial condition of the City.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Santa Fe, Texas, participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("the TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.com.

The City provides pension benefits for all of its regular full-time employees and regular part-time employees who work at least 1,000 hours or more per year.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF SANTA FE, TEXAS

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NOTES TO FINANCIAL STATEMENTS

Plan provisions adopted by the City are as follows:

| | |
|--|-------------------------------|
| Employee deposit rate | 7% |
| Municipal current matching ratio | 1.5-1 |
| Updated service credit: | |
| Rate (%) | 100T** |
| Year effective | 2005R* |
| Increased benefits to retirees: | |
| Rate (%) | 70 |
| Year effective | 2005R* |
| Military service credit effective date | |
| Buyback effective date | |
| Vesting | 10 yrs |
| Service retirement eligibilities | 10 yrs/age 60, 20 yrs/any age |
| Restricted prior service credit effective date | 2-97 |
| Supplemental death benefits | Employees, Retirees |
| Statutory maximum (%) | Removed |

* Annually repeating. Ordinance automatically renews effective January 1 of each successive year.

** Includes transfer credits.

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|--------------------|
| | <u>2014</u> |
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Inactive employees entitled to but not yet receiving benefits | 47 |
| Active employees | <u>66</u> |
| Total | <u><u>130</u></u> |

Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (“EAN”) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Santa Fe, Texas, were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Santa Fe, Texas, were 12.69% and 12.61% in calendar years 2014 and 2015, respectively. The City’s contributions to TMRS for the year ended September 30, 2015, were \$385,469, and were equal to the required contributions.

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NOTES TO FINANCIAL STATEMENTS

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2014, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 3.0% per year |
| Overall Payroll Growth | 3.0% per year |
| Investment Rate of Return | 7.0%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-district RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006, through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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NOTES TO FINANCIAL STATEMENTS

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

| | <u>Increase (Decrease)</u> | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balance at 12/31/13 | \$ 10,060,496 | \$ 7,455,038 | \$ 2,605,458 |
| Changes for the year: | | | |
| Service cost | 385,401 | | 385,401 |
| Interest | 708,090 | | 708,090 |
| Change of benefit terms | | | |
| Difference between expected and actual experience | (248,483) | | (248,483) |
| Changes of assumptions | | | |
| Contributions - employer | | 376,315 | (376,315) |
| Contributions - employee | | 207,581 | (207,581) |
| Net investment income | | 426,592 | (426,592) |
| Benefit payments, including refunds of employee contributions | (275,261) | (275,261) | |
| Administrative expense | | (4,453) | 4,453 |
| Other changes | | (366) | 366 |
| Net changes | <u>\$ 569,747</u> | <u>\$ 730,408</u> | <u>\$ (160,661)</u> |
| Balance at 12/31/14 | <u>\$ 10,630,243</u> | <u>\$ 8,185,446</u> | <u>\$ 2,444,797</u> |

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NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | <u>1% Decrease in Discount Rate (6.0%)</u> | <u>Discount Rate (7.0%)</u> | <u>1% Increase in Discount Rate (8.0%)</u> |
|------------------------------|--|-----------------------------|--|
| City's net pension liability | \$ 4,130,772 | \$ 2,444,797 | \$ 1,077,607 |
| | | | |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$335,096.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ | \$ 195,651 |
| Changes in actuarial assumptions | | |
| Difference between projected and actual investment earnings | 76,209 | |
| Contributions subsequent to the measurement date | 293,944 | |
| Totals | \$ 370,153 | \$ 195,651 |

\$293,944 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended Dec 31:</u> | |
|---------------------------|---------------------|
| 2015 | \$ (33,780) |
| 2016 | (33,780) |
| 2017 | (33,780) |
| 2018 | (18,102) |
| 2019 | |
| Thereafter | |
| | <u>\$ (119,442)</u> |

CITY OF SANTA FE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - IMPLEMENTATION OF NEW STANDARDS

In the current fiscal year, the City implemented the following new standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and Amendment of GASB 68* (“GASB 71”), requires employer contributions made between the measurement date, which is the date used to determine an employer’s net pension liability (“NPL”), and the employer’s fiscal year end be reported as a deferred outflow of resources (“DOoR”).

NOTE 11 - RESTATEMENT OF NET POSITION

Governmental activities beginning net position was restated from \$18,192,663 to \$15,833,703 to reflect a \$2,358,960 net decrease in beginning net position resulting from the implementation of GASB No. 68 and No. 71, as discussed in Note 10.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANTA FE, TEXAS

Exhibit B-1

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

Year Ended September 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance from Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Property taxes | \$ 1,777,022 | \$ 1,777,022 | \$ 1,775,812 | \$ (1,210) |
| Penalties and interest | 27,000 | 27,000 | 29,861 | 2,861 |
| Sales taxes | 1,633,000 | 1,700,500 | 1,680,305 | (20,195) |
| Franchise taxes | 728,797 | 733,797 | 745,822 | 12,025 |
| Licenses and permits | 123,163 | 178,221 | 189,635 | 11,414 |
| Fines and forfeitures | 272,612 | 230,312 | 229,294 | (1,018) |
| Investment earnings | 5,000 | 5,000 | 4,475 | (525) |
| Intergovernmental | | 4,275 | 4,275 | |
| Other | 279,669 | 440,001 | 232,532 | (207,469) |
| Total Revenues | <u>4,846,263</u> | <u>5,096,128</u> | <u>4,892,011</u> | <u>(204,117)</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General government | 3,582,636 | 3,679,784 | 3,534,939 | 144,845 |
| Public safety | 129,530 | 136,978 | 115,220 | 21,758 |
| Public works | 823,409 | 835,375 | 825,402 | 9,973 |
| Capital outlay | 283,988 | 415,530 | 579,464 | (163,934) |
| Debt Service: | | | | |
| Interest and fiscal charges | 30,000 | 28,461 | 5,816 | 22,645 |
| Total Expenditures | <u>4,849,563</u> | <u>5,096,128</u> | <u>5,060,841</u> | <u>35,287</u> |
| (Deficiency) of Revenues (Under) Expenditures | <u>(3,300)</u> | | <u>(168,830)</u> | <u>(168,830)</u> |
| <u>Other Financing Sources</u> | | | | |
| Capital lease | | | 156,643 | 156,643 |
| Total Other Financing Sources | | | <u>156,643</u> | <u>156,643</u> |
| Net Change in Fund Balance | (3,300) | | (12,187) | (12,187) |
| Fund Balance - Beginning | <u>1,586,136</u> | <u>1,586,136</u> | <u>1,586,136</u> | |
| Fund Balance - Ending | <u>\$ 1,582,836</u> | <u>\$ 1,586,136</u> | <u>\$ 1,573,949</u> | <u>\$ (12,187)</u> |

CITY OF SANTA FE, TEXAS

Exhibit B-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for the General Fund on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City, the City Manager prepares an annual budget for the General Fund and Enterprise Funds for the ensuing fiscal year, in a form and style as deemed desirable by Council. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

For the year ending September 30, 2015, expenditures exceeded appropriations in the following General Fund departments:

| <u>Department</u> | <u>Amount</u> |
|------------------------|---------------|
| General administration | \$ 11,712 |
| Capital outlay | 163,934 |

CITY OF SANTA FE, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| | Last Ten Years* | | | |
|---|------------------------|---------------|---------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Total Pension Liability | | | | |
| Service cost | \$ 385,401 | \$ N/A | \$ N/A | \$ N/A |
| Interest (on the total pension liability) | 708,090 | N/A | N/A | N/A |
| Changes of benefit terms | | N/A | N/A | N/A |
| Difference between expected and actual experience | (248,483) | N/A | N/A | N/A |
| Change of assumptions | | N/A | N/A | N/A |
| Benefit payments, including refunds of employee contributions | (275,261) | N/A | N/A | N/A |
| Net Change in Total Pension Liability | <u>569,747</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Total Pension Liability - Beginning | 10,060,496 | N/A | N/A | N/A |
| Total Pension Liability - Ending (a) | <u>\$ 10,630,243</u> | <u>\$ N/A</u> | <u>\$ N/A</u> | <u>\$ N/A</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 376,315 | \$ N/A | \$ N/A | \$ N/A |
| Contributions - employee | 207,581 | N/A | N/A | N/A |
| Net investment income | 426,592 | N/A | N/A | N/A |
| Benefit payments, including refunds of employee contributions | (275,261) | N/A | N/A | N/A |
| Administrative expense | (4,453) | N/A | N/A | N/A |
| Other | (366) | N/A | N/A | N/A |
| Net Change in Plan Fiduciary Net Position | <u>730,408</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Plan Fiduciary Net Position - Beginning | 7,455,038 | N/A | N/A | N/A |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 8,185,446</u> | <u>\$ N/A</u> | <u>\$ N/A</u> | <u>\$ N/A</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 2,444,797</u> | <u>\$ N/A</u> | <u>\$ N/A</u> | <u>\$ N/A</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 77.00% | N/A | N/A | N/A |
| Covered Employee Payroll | \$ 2,965,437 | \$ N/A | \$ N/A | \$ N/A |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 82.44% | N/A | N/A | N/A |

Notes to Schedule: N/A

* GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently available.

CITY OF SANTA FE, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF
EMPLOYER CONTRIBUTIONS**

Last Ten Years*

| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|--------------|-------------|-------------|-------------|
| Actuarially Determined Contributions | \$ 376,315 | \$ N/A | \$ N/A | \$ N/A |
| Contributions in Relation to the Actuarially Determined Contributions | \$ 376,315 | \$ N/A | \$ N/A | \$ N/A |
| Contribution Deficiency (Excess) | \$ | \$ N/A | \$ N/A | \$ N/A |
| Covered Employee Payroll | \$ 2,965,437 | \$ N/A | \$ N/A | \$ N/A |
| Contributions as a Percentage of Covered Employee Payroll | 12.69% | N/A | N/A | N/A |

* GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently available.

Exhibit B-4

| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A |
| \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A |
| \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A |
| \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |

CITY OF SANTA FE, TEXAS

Exhibit B-5

TEXAS MUNICIPAL RETIREMENT SYSTEM - NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 25 Years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 3.0% |
| Salary Increases | 3.50% to 12.00% including inflation |
| Investment Rate of Return | 7.00% |
| Retirement Age | Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY
INFORMATION

City of Santa Fe, Texas

Exhibit C-1

SCHEDULE OF TEMPORARY INVESTMENTS

For the Year Ended September 30, 2015

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate (%)</u> | <u>Maturity Date</u> | <u>Balance at September 30, 2014</u> | <u>Accrued Interest</u> |
|---------------------------|---|------------------------------|--------------------------|--|-----------------------------|
| General Fund | | | | | |
| TexPool | 449/840500001 | Variable | N/A | \$ 75,190 | \$ |
| Logic | 742017295 | Variable | N/A | 218,742 | |
| Money Market | 10084929 | Variable | N/A | 194,648 | |
| Money Market | 2531059312 | Variable | N/A | 249,685 | |
| CD | 41002947 | .30% / .30% | 8/24/2016 | 124,326 | |
| CD | 41002948 | .30% / .30% | 8/24/2016 | 124,326 | |
| CD | 41002950 | .30% / .30% | 8/24/2016 | 233,720 | |
| CD | 41002940 | .30% / .30% | 7/13/2016 | 103,000 | |
| CD | 41002941 | .30% / .30% | 7/13/2016 | 103,000 | |
| CD | 41002942 | .30% / .30% | 7/13/2016 | 103,000 | |
| CD | 41002943 | .30% / .30% | 7/13/2016 | 103,000 | |
| Total General Fund | | | | <u>\$ 1,632,637</u> | |

City of Santa Fe, Texas

Exhibit C-2

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended September 30, 2015

| | General Fund | Debt Service Fund | Totals |
|--|-------------------------|----------------------------------|-----------------------|
| Taxes receivable - October 1, 2014 | \$ 146,480 | \$ 7,297 | \$ 153,777 |
| Additions and corrections-prior years | | | |
| Adjusted taxes receivable - October 1, 2014 | <u>146,480</u> | <u>7,297</u> | <u>153,777</u> |
| Original tax roll 2014 | 1,825,922 | 305,904 | 2,131,826 |
| Additions and corrections-current year | 1,845 | 310 | 2,155 |
| Adjusted tax roll | <u>1,827,767</u> | <u>306,214</u> | <u>2,133,981</u> |
| Total to be Accounted for | <u>1,974,247</u> | <u>313,511</u> | <u>2,287,758</u> |
| Tax Collections | | | |
| Current year | 1,782,706 | 298,774 | 2,081,480 |
| Prior years | 45,603 | 4,507 | 50,110 |
| Total Collections | <u>1,828,309</u> | <u>303,281</u> | <u>2,131,590</u> |
| Taxes Receivable - September 30, 2015 | <u>\$ 145,938</u> | <u>\$ 10,230</u> | <u>\$ 156,168</u> |
| | | | |
| Taxes Receivable - By Tax Year | | | |
| 2014 | \$ 43,858 | \$ 7,347 | \$ 51,205 |
| 2013 | 17,252 | 2,883 | 20,135 |
| 2012 | 12,485 | | 12,485 |
| 2011 | 9,838 | | 9,838 |
| 2010 and prior | 62,505 | | 62,505 |
| Taxes Receivable - September 30, 2015 | <u>\$ 145,938</u> | <u>\$ 10,230</u> | <u>\$ 156,168</u> |
| | | | |
| Property Valuations | 2014 | 2013 | 2012 |
| Total Property Valuations | <u>\$ 594,589,235</u> | <u>\$ 545,026,472</u> | <u>\$ 562,047,353</u> |
| Tax Rates Per \$100 | | | |
| Valuations | | | |
| Maintenance and operations | 0.3074 | 0.3172 | 0.3147 |
| Debt Service | 0.0515 | 0.053 | |
| Total Tax Rate per | | | |
| \$100 Valuation | <u>\$ 0.3589</u> | <u>\$ 0.3702</u> | <u>\$ 0.3147</u> |
| Tax Rolls * | <u>\$ 2,133,981</u> | <u>\$ 2,017,688</u> | <u>\$ 1,768,763</u> |

CITY OF SANTA FE, TEXAS
COMPARATIVE BALANCE SHEET
GENERAL FUND

Exhibit C-3

September 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 33,354 | \$ 23,456 |
| Investments | 1,632,637 | 1,711,449 |
| Receivables: | | |
| Taxes | 137,218 | 132,322 |
| Intergovernmental | 83,729 | 133,151 |
| Other | 647,837 | 687,267 |
| Prepays | 25,420 | |
| Restricted cash and equivalents | <u>18,412</u> | <u>18,393</u> |
| Total Assets | <u>\$ 2,578,607</u> | <u>\$ 2,706,038</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable and accrued liabilities | \$ 301,811 | \$ 314,771 |
| Refundable deposits | 116,400 | 116,400 |
| Unearned revenue | <u>464,808</u> | <u>393,111</u> |
| Total Liabilities | <u>883,019</u> | <u>824,282</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Unavailable revenue - property taxes | <u>121,639</u> | <u>295,620</u> |
| <u>Fund Balances</u> | | |
| Restricted | 43,832 | 18,393 |
| Assigned | 287,759 | 231,369 |
| Unassigned | <u>1,242,358</u> | <u>1,336,374</u> |
| Total Fund Balances | <u>1,573,949</u> | <u>1,586,136</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,578,607</u> | <u>\$ 2,706,038</u> |

CITY OF SANTA FE, TEXAS

Exhibit C-4

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

Year Ended September 30, 2015

with Comparative Actual Balances for the Year Ended September 30, 2014

| | 2015 | | Variance Over (Under) | 2014 Actual |
|--|---------------------|---------------------|-----------------------------|---------------------|
| | Budget | Actual | | |
| <u>Revenues</u> | | | | |
| Property taxes | \$ 1,777,022 | \$ 1,775,812 | \$ (1,210) | \$ 1,729,605 |
| Penalties and interest | 27,000 | 29,861 | 2,861 | 32,915 |
| Sales taxes | 1,700,500 | 1,680,305 | (20,195) | 1,655,832 |
| Franchise taxes | 733,797 | 745,822 | 12,025 | 735,418 |
| Licenses and permits | 178,221 | 189,635 | 11,414 | 147,220 |
| Fines and forfeitures | 230,312 | 229,294 | (1,018) | 294,869 |
| Investment earnings | 5,000 | 4,475 | (525) | 4,113 |
| Intergovernmental | 4,275 | 4,275 | | |
| Other | 440,001 | 232,532 | (207,469) | 152,880 |
| Total Revenues | 5,096,128 | 4,892,011 | (204,117) | 4,752,852 |
| <u>Expenditures</u> | | | | |
| General Government: | | | | |
| General administration | 660,404 | 672,116 | (11,712) | 589,406 |
| Tax | 20,072 | 18,895 | 1,177 | 17,070 |
| Community center | 17,695 | 13,736 | 3,959 | 17,256 |
| Library | 217,812 | 200,328 | 17,484 | 197,386 |
| Judicial/ police | 2,470,579 | 2,346,400 | 124,179 | 2,307,047 |
| Community services | 293,222 | 283,464 | 9,758 | 285,062 |
| Total General Government | 3,679,784 | 3,534,939 | 144,845 | 3,413,227 |
| Public Safety: | | | | |
| Parks | 120,450 | 101,765 | 18,685 | 100,801 |
| Fire marshal | 16,528 | 13,455 | 3,073 | 13,616 |
| Total Public Safety | 136,978 | 115,220 | 21,758 | 114,417 |
| Public Works: | | | | |
| Public safety | 84,419 | 84,263 | 156 | 81,166 |
| Street | 750,956 | 741,139 | 9,817 | 686,935 |
| Total Public Works | 835,375 | 825,402 | 9,973 | 768,101 |
| Capital Outlay | 415,530 | 579,464 | (163,934) | 298,487 |
| Debt Service: | | | | |
| Principal payments | | | | 162,644 |
| Interest and fiscal charges | 28,461 | 5,816 | 22,645 | |
| Total Debt Service | 28,461 | 5,816 | 22,645 | 162,644 |
| Total Expenditures | 5,096,128 | 5,060,841 | 35,287 | 4,756,876 |
| (Deficiency) of Revenues (Under) Expenditures | | (168,830) | (168,830) | (4,024) |
| <u>Other Financing Sources</u> | | | | |
| Capital lease | | 156,643 | 156,643 | 145,000 |
| Total Other Financing Sources | | 156,643 | 156,643 | 145,000 |
| Net Change in Fund Balance | | (12,187) | (12,187) | 140,976 |
| Fund Balance - Beginning | 1,586,136 | 1,586,136 | | 1,445,160 |
| Fund Balance - Ending | \$ 1,586,136 | \$ 1,573,949 | \$ (12,187) | \$ 1,586,136 |

CITY OF SANTA FE, TEXAS

Exhibit C-5

SCHEDULE OF INSURANCE COVERAGE

September 30, 2015

| <u>Type of Coverage</u> | <u>Amount of Coverage</u> | <u>Name</u> | <u>Type of Corp.</u> | <u>Policy Clause</u> |
|--|-----------------------------------|-------------------------------|----------------------|----------------------|
| <u>Fidelity Bonds</u> Public employees blanket bond | \$ 10,000 | Group Hartford Insurance | Gov't. | None |
| <u>Surety Bonds</u> Crime Policy Depositor's forgery coverage | 50,000 n/a | Group Hartford Insurance | Gov't. | None |
| <u>Real and Personal Property</u> Property damage Mobile Equipment Boiler & Machinery | 7,314,826 1,009,669 100,000 | Texas Municipal League | Gov't | None |
| <u>Fire, Lightning, Extended Coverage, Vandalism</u> | 3,488,400 | Texas Municipal League | Gov't. | None |
| <u>Automobile Liability: Commercial</u> Bodily injury - each person Property damage - each occurrence | 25,000 1,000,000 | Texas Municipal League | Gov't. | None |
| <u>Workmen's Compensation</u> | Statutory | Texas Municipal League | Gov't. | None |
| <u>General Liability - Occurrence/Annual Aggregate</u> | 2,000,000 / 4,000,000 | Texas Municipal League | Gov't. | None |
| <u>Public Official Liability - Occurrence/Annual Aggregate</u> | 2,000,000 / 4,000,000 | Texas Municipal League | Gov't. | None |
| <u>Windstorm and Hail</u> | 2,577,131 | Texas Municipal League / TWIA | Gov't. | None |
| <u>Law Enforcement Liability - Occurrence/Annual Aggregate</u> | 2,000,000 / 4,000,000 | Texas Municipal League | Gov't. | None |

CITY OF SANTA FE, TEXAS

Exhibit D-1

COMBINING SCHEDULE OF LONG-TERM DEBT BY MATURITY DATE
GOVERNMENTAL ACTIVITIES

September 30, 2015

| Fiscal Year Ending | Total Requirements - All Long-Term Debt | | | General Obligation Bonds, Series 2013 | | |
|-----------------------|---|---------------------|---------------------|--|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 257,307 | \$ 132,565 | \$ 389,872 | \$ 135,000 | \$ 127,075 | \$ 262,075 |
| 2017 | 215,698 | 125,284 | 340,982 | 140,000 | 122,950 | 262,950 |
| 2018 | 169,062 | 119,259 | 288,321 | 145,000 | 118,675 | 263,675 |
| 2019 | 150,000 | 114,250 | 264,250 | 150,000 | 114,250 | 264,250 |
| 2020 | 150,000 | 109,750 | 259,750 | 150,000 | 109,750 | 259,750 |
| 2021 | 155,000 | 105,175 | 260,175 | 155,000 | 105,175 | 260,175 |
| 2022 | 160,000 | 100,450 | 260,450 | 160,000 | 100,450 | 260,450 |
| 2023 | 165,000 | 95,575 | 260,575 | 165,000 | 95,575 | 260,575 |
| 2024 | 170,000 | 89,700 | 259,700 | 170,000 | 89,700 | 259,700 |
| 2025 | 180,000 | 82,700 | 262,700 | 180,000 | 82,700 | 262,700 |
| 2026 | 185,000 | 75,400 | 260,400 | 185,000 | 75,400 | 260,400 |
| 2027 | 195,000 | 67,800 | 262,800 | 195,000 | 67,800 | 262,800 |
| 2028 | 200,000 | 59,900 | 259,900 | 200,000 | 59,900 | 259,900 |
| 2029 | 210,000 | 51,700 | 261,700 | 210,000 | 51,700 | 261,700 |
| 2030 | 220,000 | 42,000 | 262,000 | 220,000 | 42,000 | 262,000 |
| 2031 | 230,000 | 30,750 | 260,750 | 230,000 | 30,750 | 260,750 |
| 2032 | 245,000 | 18,875 | 263,875 | 245,000 | 18,875 | 263,875 |
| 2033 | 255,000 | 6,375 | 261,375 | 255,000 | 6,375 | 261,375 |
| | <u>\$ 3,512,067</u> | <u>\$ 1,427,508</u> | <u>\$ 4,939,575</u> | <u>\$ 3,290,000</u> | <u>\$ 1,419,100</u> | <u>\$ 4,709,100</u> |

| Fiscal Year Ending | Capital Lease - Various Radios | | | Capital Lease - Various Equipment 2015 | | |
|-----------------------|--------------------------------|-----------------|------------------|--|-----------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 22,936 | \$ 1,711 | \$ 24,647 | \$ 51,052 | \$ 2,334 | \$ 53,386 |
| 2017 | 23,492 | 1,154 | 24,646 | 52,206 | 1,180 | 53,386 |
| 2018 | 24,062 | 584 | 24,646 | | | |
| | <u>\$ 70,490</u> | <u>\$ 3,449</u> | <u>\$ 73,939</u> | <u>\$ 103,258</u> | <u>\$ 3,514</u> | <u>\$ 106,772</u> |

| Fiscal Year Ending | Capital Lease - Various Equipment | | |
|-----------------------|-----------------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2016 | \$ 48,319 | \$ 1,445 | \$ 49,764 |
| | <u>\$ 48,319</u> | <u>\$ 1,445</u> | <u>\$ 49,764</u> |

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