

City of Santa Fe, Texas

FINANCIAL STATEMENTS

Year Ended September 30, 2019



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INTRODUCTORY SECTION

MAYOR

Jason Tabor

CITY COUNCIL

Mayor Pro –Tem
Council Member
Council Member
Council Member
Council Member

Bill Pittman
Claude Hoke IV
Jason O’Brien
Corey Jannett
Fidencio Leija

CITY MANAGER

Joe Dickson

CITY SECRETARY/TREASURER

Janet Davis

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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 (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Special Revenue Fund – Santa Fe Economic Development Corporation, which is both a major fund and 17 percent, 23 percent, and 10 percent, respectively, of the assets, net position, and revenues of the governmental activities.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Santa Fe Section 4B Economic Development Corporation as of and for the year ended September 30, 2019. 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 Special Revenue Fund – Santa Fe Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Santa Fe, Texas as of September 30, 2019, and the respective changes in financial position 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 (MD&A) on pages 7 to 13, the budgetary comparison information on pages 53 to 56, the schedule of changes in net pension liability and the schedule of employer contributions on pages 57 to 59 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory and other supplementary sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and other supplementary 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.

Carly Riggs & Ingram, L.L.C.

March 27, 2020

Management's Discussion and Analysis

The City of Santa Fe, Texas's (the "City") management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2019. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Please read it in conjunction with the City's financial statements beginning on page 14.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$18,709,493 (net position).
- The City's total net position increased by \$711,921 during the year.
- The City's total expenses were \$6,770,883. Program revenues of \$1,381,638 decreased the net cost of the City's functions to be financed from the City's general revenues to \$5,389,245.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$2,126,321 or 36 percent of total general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 deferred outflows and liabilities and deferred inflows, with the difference 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).

The government-wide financial statements include not only the City itself (known as the primary government), but also a component unit: the City of Santa Fe Section 4B Economic Development Corporation (the "Corporation") which is reported as a special revenue fund. Complete financial statements for the component unit are available from the City of Santa Fe Section 4B Economic Development Corporation upon request.

The government-wide financial statements can be found beginning on page 14 of this report.

Management's Discussion and Analysis

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 information about the City's most significant funds.

The City only maintains governmental funds.

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 are received and expended 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 four individual governmental funds for financial reporting purposes: the General Fund, the Debt Service Fund and two Special Revenue Funds, the Grants Fund and the Santa Fe Economic Development Corporation. The Corporation is considered a blended component unit and presented as a governmental fund within the City. 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, 2019.

The basic governmental funds financial statements can be found beginning on page 16 of this report.

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 20 through 51 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 and Special Revenue Fund budgets and the City's pension benefits provided to its employees. Required supplementary information can be found on pages 53 through 59 of this report.

Management's Discussion and Analysis

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 \$18,709,493 as of September 30, 2019.

The largest portion of the City's net position, \$14,997,688 reflects its net investment in capital assets (e.g. land, infrastructure, 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, \$4,064,331, 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, 2019, unrestricted net position has a deficit balance of \$352,526 which can be attributed primarily to the City's net pension liability that was initially recorded in fiscal year 2015. The deficit in unrestricted net position decreased by \$294,346 from the prior year.

<i>September 30,</i>	2019	2018*
Assets		
Current and other assets	\$ 7,685,602	\$ 7,094,853
Capital assets	18,136,383	18,243,257
Total assets	25,821,985	25,338,110
Deferred outflows of resources		
Deferred outflows - pension plan	1,253,802	526,237
Liabilities		
Long-term liabilities outstanding	6,917,071	5,971,913
Other liabilities	882,258	1,344,298
Total liabilities	7,799,329	7,316,211
Deferred inflows of resources		
Deferred inflows - pension plan	566,965	783,212
Net Position		
Net investment in capital assets	14,997,688	15,049,827
Restricted	4,064,331	3,594,617
Unrestricted	(352,526)	(646,872)
Total net position	\$ 18,709,493	\$ 17,997,572

* as restated

Management's Discussion and Analysis

Governmental Activities

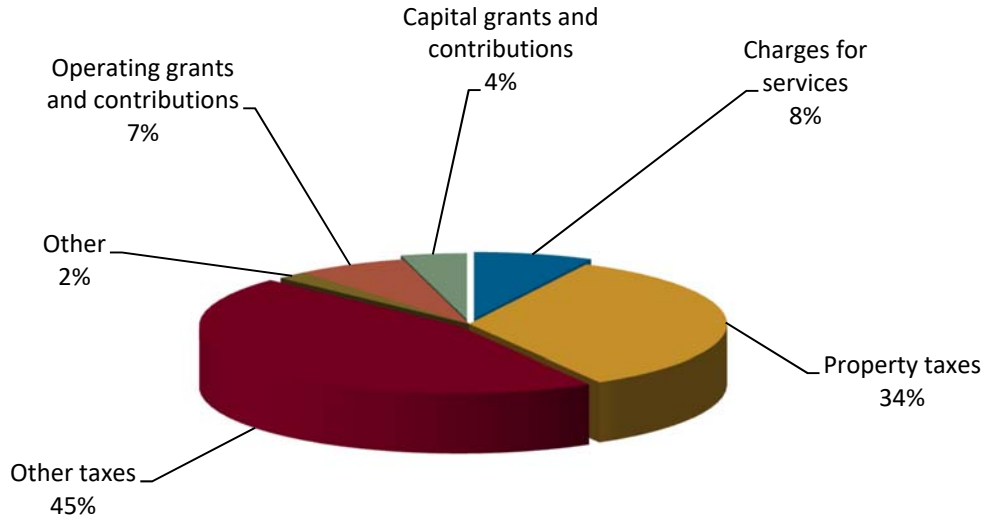
The net position relating to governmental activities of the City increased by \$711,921. Key elements of the change are as follows:

<i>Year ending September 30,</i>	2019	2018*
Revenues:		
Program revenues:		
Charges for services	\$ 557,598	\$ 766,790
Operating grants and contributions	516,224	28,122
Capital grants and contributions	307,816	398,864
General revenues:		
Property taxes	2,559,926	2,494,825
Other taxes	3,397,712	3,290,664
Other	143,528	99,610
Total revenues	7,482,804	7,078,875
Expenses:		
General government	1,787,286	1,644,781
Public safety	2,529,011	2,322,890
Public works	1,805,482	1,723,114
Grants	538,766	398,864
Interest	110,338	116,795
Total expenses	6,770,883	6,206,444
Change in net position	711,921	872,431
Net position - beginning	17,997,572	17,125,141
Net position - ending	\$ 18,709,493	\$ 17,997,572

* as restated

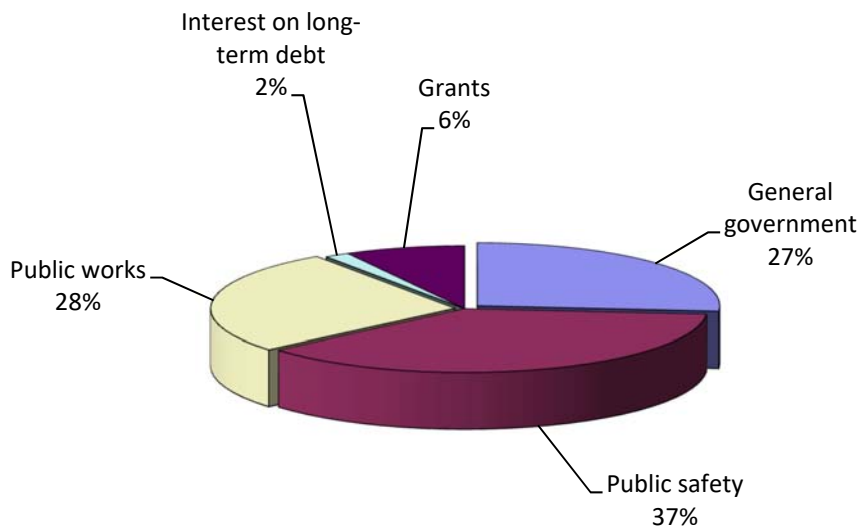
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2019, revenue from governmental activities totaled \$7,482,804 primarily from property and other taxes.

GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2019, expenses from governmental activities totaled \$6,770,883, the largest portion of which relates to Public Safety (37%).

Management's Discussion and Analysis

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, 2019, the City's governmental funds reported an ending fund balance of \$6,524,075 which is an increase of \$791,450 from last year's total of \$5,732,625. 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 36 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. The final budget reflected the City's anticipated expenditures for various capital assets for which funding was not originally approved.

General Fund Highlights

Fund balance in the General Fund increased \$260,391 to \$2,144,805. If needed, the use of available fund balance will avoid the need to significantly raise taxes in the near future.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's net investment in capital assets as of September 30, 2019, amounts to \$18,136,383 (net of accumulated depreciation). This net investment in capital assets includes land and improvements, buildings, machinery and equipment and infrastructure.

Capital Assets (Net of Accumulated Depreciation)

<i>September 30,</i>	2019	2018
Land	\$ 546,297	\$ 546,297
Buildings	3,288,864	3,401,457
Machinery and equipment	1,091,319	1,002,502
Infrastructure	10,832,755	11,281,120
Infrastructure improvements	2,085,035	1,958,821
Police canine	7,714	-
Construction in progress	284,399	53,060
Total	\$ 18,136,383	\$ 18,243,257

Management's Discussion and Analysis

Increases in capital assets were mainly attributable to improvements to City street and the acquisition of new police department vehicles and related mobile equipment. Additional information on the City's capital assets can be found in Note 6 on page 38.

Long-Term Debt

At September 30, long-term debt consisted of the following:

General Obligation Bonds and Other Liabilities

<i>September 30,</i>	2019	2018
General obligation bonds, net	\$ 2,720,000	\$ 2,870,000
Bond premium	130,732	140,789
Capital leases	287,963	235,698
Compensated absences	798,323	693,621
Net pension liability	2,980,053	2,031,805
Total	\$ 6,917,071	\$ 5,971,913

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

Additional information on the City's long-term debt can be found in Note 7 beginning on page 41.

Request 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: Glen Adams, City Manager, P. O. Box 950, Santa Fe, Texas 77510.

City of Santa Fe, Texas
Statement of Net Position
September 30, 2019

Assets	
Cash and cash equivalents	\$ 359,279
Investments	5,544,211
Receivables	
Property tax	166,194
Intergovernmental	512,868
Sales tax, franchise tax and other	1,042,411
Prepaid and other assets	42,155
Restricted cash and cash equivalents	18,484
Capital assets, net of depreciation	18,136,383
<hr/>	
Total assets	25,821,985
<hr/>	
Deferred Outflows of Resources	
Deferred outflows - pension plan	1,253,802
<hr/>	
Liabilities	
Accounts payable	348,159
Accrued interest payable	9,333
Refundable deposit	118,200
Unearned revenue	406,566
Noncurrent liabilities	
Due within one year	733,188
Due in more than one year	6,183,883
<hr/>	
Total liabilities	7,799,329
<hr/>	
Deferred Inflows of Resources	
Deferred inflow - pension plan	566,965
<hr/>	
Net Position	
Net investment in capital assets	14,997,688
Restricted	4,064,331
Unrestricted	(352,526)
<hr/>	
Total net position	\$ 18,709,493
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The accompanying notes are an integral part of these financial statements.

City of Santa Fe, Texas
Statement of Activities
For the Year Ended September 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	All Governmental Activities
Governmental Activities:					
General government	\$ 1,787,286	\$ 553,776	\$ 2,915	\$ 307,816	\$ (922,779)
Public safety	2,529,011	-	13,478	-	(2,515,533)
Public works	1,805,482	3,822	-	-	(1,801,660)
Interest on long-term debt	110,338	-	-	-	(110,338)
Grant expenditures	538,766	-	499,831	-	(38,935)
Total governmental activities	\$ 6,770,883	\$ 557,598	\$ 516,224	\$ 307,816	\$ (5,389,245)
General Revenues					
Sales taxes					2,600,444
Property taxes, penalties and interest					2,559,926
Franchise taxes					797,268
Miscellaneous					14,383
Investment earnings					129,145
Total general revenues					6,101,166
Change in net position					711,921
Net Position - beginning, as previously reported					17,881,248
Prior period adjustment					116,324
Net Position - beginning, as restated					17,997,572
Net Position - ending				\$	18,709,493

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

City of Santa Fe, Texas
Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Debt Service Fund	Special Revenue Funds		Total Governmental Funds
			Grants Fund	Santa Fe Economic Development Corporation	
Assets					
Cash and cash equivalents	\$ 47,454	\$ 112,738	\$ 3,128	\$ 195,959	\$ 359,279
Investments	1,830,597	219,174	-	3,494,440	5,544,211
Receivables					
Taxes	149,065	17,129	-	-	166,194
Intergovernmental	-	-	158,215	354,653	512,868
Sales tax, franchise tax and other	1,036,960	5,451	-	-	1,042,411
Due to/ from other funds	161,343	-	(161,343)	-	-
Prepaid and other assets	40,318	-	-	1,837	42,155
Restricted cash and cash equivalents	18,484	-	-	-	18,484
Total assets	\$ 3,284,221	\$ 354,492	\$ -	\$ 4,046,889	\$ 7,685,602
Liabilities					
Accounts payable and accrued liabilities	\$ 347,117	\$ -	\$ -	\$ 1,042	\$ 348,159
Refundable deposits	118,200	-	-	-	118,200
Unearned revenue	401,153	5,450	-	-	406,603
Total liabilities	866,470	5,450	-	1,042	872,962
Deferred Inflows of Resources					
Unavailable revenue	272,946	15,619	-	-	288,565
Total deferred inflows of resources	272,946	15,619	-	-	288,565
Fund Balances					
Restricted	18,484	272,060	-	-	290,544
Committed	-	-	-	4,045,847	4,045,847
Assigned	-	-	-	-	-
Unassigned	2,126,321	61,363	-	-	2,187,684
Total fund balances	2,144,805	333,423	-	4,045,847	6,524,075
Total liabilities, deferred inflows of resources and fund balances	\$ 3,284,221	\$ 354,492	\$ -	\$ 4,046,889	\$ 7,685,602

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

City of Santa Fe, Texas
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
September 30, 2019

Differences in amounts reported for governmental activities in the Statement of Net Position.

Total fund balances - governmental funds	\$	6,524,075
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		18,136,383
Deferred inflows and outflows of resources pertaining to actuarial pension differences between expected and actual economic experience (\$166,521), changes of actuarial assumptions (\$7,022) projected and actual investment earnings (\$562,078) and pension contributions made subsequent to the measurement date (\$284,258) are not financial resources and, therefore, are not reported in the governmental funds.		686,837
Revenues that do not provide current financial resources are reported as deferred in the governmental funds.		289,326
Long-term liabilities and related interest payable, capital leases and the net pension liability, are not due and payable in the current period, and therefore are not reported in the governmental funds.		(6,927,128)
Net position of governmental activities	\$	18,709,493

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

City of Santa Fe, Texas
Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Special Revenue Funds		Total Governmental Funds
			Grants Fund	Santa Fe Economic Development Corporation	
Revenues					
Property taxes	\$ 2,200,469	\$ 316,996	\$ -	\$ -	\$ 2,517,465
Penalties and interest	28,491	3,680	-	80,152	112,323
Sales taxes	1,953,798	-	-	646,646	2,600,444
Franchise taxes	797,268	-	-	-	797,268
Licenses and permits	267,190	-	-	-	267,190
Fines and forfeitures	237,212	-	-	-	237,212
Investment earnings	43,557	5,437	-	-	48,994
Intergovernmental	42,309	-	518,251	-	560,560
Contributions	263,480	-	-	-	263,480
Other	49,552	-	-	-	49,552
Total revenues	5,883,326	326,113	518,251	726,798	7,454,488
Expenditures					
General government	1,725,049	-	-	25,763	1,750,812
Public safety	2,267,594	-	-	-	2,267,594
Public works	941,433	-	-	-	941,433
Grant and program expenditures	-	-	510,254	-	510,254
Capital Outlay	735,106	-	7,997	231,339	974,442
Debt service:					
Principal	235,516	150,000	-	-	385,516
Interest and fiscal charges	6,018	114,750	-	-	120,768
Total expenditures	5,910,716	264,750	518,251	257,102	6,950,819
Excess of revenues over expenditures	(27,390)	61,363	-	469,696	503,669
Other Financing Sources					
Capital leases	287,781	-	-	-	287,781
Total other financing sources	287,781	-	-	-	287,781
Net change in fund balances	260,391	61,363	-	469,696	791,450
Fund Balances - beginning	1,884,414	272,060	-	3,576,151	5,732,625
Fund Balances - ending	\$ 2,144,805	\$ 333,423	\$ -	\$ 4,045,847	\$ 6,524,075

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

City of Santa Fe, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2019

Differences in amounts reported for governmental activities in the Statement of Activities.	
Net change in fund balances - total governmental funds	791,450
Repayment of debt principal and capital lease is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	385,516
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	974,442
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.	(1,081,316)
Capital assets disposed during the period, reported in prior years as expenditures in the governmental funds	(12,075)
Amortization of bond premium is included in the Statement of Activities; however, these credits are not included in the governmental funds.	10,057
The proceeds from the issuance of debt is reported as an other financing source in the governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Position.	(287,781)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(68,372)
Change in net position of governmental activities	\$ 711,921

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Santa Fe, Texas, was incorporated by virtue of an election 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 (the “City”) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

A. 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.

Blended component unit

Based on the aforementioned criteria, the City of Santa Fe Section 4B Economic Development Corporation (the “Corporation”), a non-profit economic development corporation, is the only entity that should be included in the City’s basic financial statements as a component unit. The City Council of the City appoints the Corporation’s board of directors and the powers of the Corporation shall be subject at all times to the control of the City’s governing body. Additionally, the City has the authority to alter the structure, organization, programs or activities of the Corporation. This component unit has a September 30 year-end and only has governmental activities.

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 Corporation is funded through a sales tax levy of one-half of one percent. The operations of the Corporation are governmental in nature. The Corporation is reported as a major governmental fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as major funds all funds that meet the qualifications of GASB Cod. Sec. 2100.

The following are reported as major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts 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 Funds

Grants Fund – This fund account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes.

The following grants/programs are included in this fund:

U. S. Department of Justice, Office of Justice Programs, Office for Victims of Crime — Victims of Crime Act Formula Grant Program — This grant provides funds to enhance crime victims services in the State of Texas. Assistance funds are typically competitively awarded by the State of Texas to local community-based organizations that provide direct services to crime victims.

Federal Emergency Management Agency - Public Assistance Program – This program is used to provide the removal of debris from improved public property and public rights-of-ways, predominantly arising from Hurricane Harvey. Support includes funds available from the State of Texas.

Santa Fe Economic Development Corporation — This fund accounts for the City of Santa Fe Section 4B Economic Development Corporation, a non-profit 4B corporation that was established to promote and develop specific economic development projects. The Corporation is a blended component unit due to its governance structure.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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 (except that received within sixty days of year-end), 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, or when such funds are to be used for specified purposes. In subsequent periods, when both recognition criteria are met, or when the government has legal claim to the resources or made the expenditure in accordance with the stipulated use, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

1. 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.

2. 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.

3. Fair Value Measurements

The City follows GASB Cod. Sec. 3100.115 and Sec. 3100.129, *Fair Value Measurement*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard establishes a hierarchy in which fair value measurements are categorized.

4. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Restricted Cash and Cash Equivalents

The assets restricted by bond agreement as shown in the Statement of Net Position are to be used strictly to retire the long-term debt. The assets were accumulated according to the bond indenture of the various issues. The City also holds certain cash balances which are restricted for library use.

6. Capital Assets

Under GASB Cod. Sec. 1400 - *Reporting Capital Assets*, 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.

The City's capital assets, except land, are depreciated using the straight line method of depreciation. The following represents the useful life and capitalization threshold of the City's capital assets:

Asset type	Useful life	Capitalization Threshold	
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
Computer and computer equipment	5 years	\$	1,000
Equipment	10 years	\$	2,500
Furniture	10 years	\$	1,000
Police canine	7 years	\$	5,000
Radios and communication equipment	10 years	\$	1,000
Vehicles	10 years	\$	2,500
Library books and materials	10 years	\$	10,000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. *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 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.

8. *Long-term Debt*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, discounts and bond insurance are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item reported in this category, deferred outflows related to pension. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with the implementation of GASB Cod. Sec. P20, *Pension Activities – Defined Benefit*.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category - deferred inflows related to pension and unearned property taxes. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments, in accordance with the implementation of GASB Cod. Sec. P20, and is amortized over five years beginning with the year in which the difference occurred.

10. *Net Position/Fund Equity*

Net positions are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

Fund equity is reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The City has no nonspendable fund balance.

In addition to the nonspendable fund balance, spendable fund balances, are reported based on a hierarchy of spending constraints:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City’s restricted fund balance primarily includes money market funds restricted for debt service.

Committed – Fund balances that contain self-imposed constraints of the government from City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council, the highest level of decision making authority. The Corporation’s fund balances are classified as committed for infrastructure improvements.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Only City Council may assign amounts for specific purposes.

Unassigned – Fund balances that are not constrained for any particular purpose.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as needed to fund specific expenditures. When committed, assigned and unassigned resources can be used for the same purpose, the flow assumption in the City is to spend in the sequence of committed resources first, assigned second and unassigned last.

11. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported for TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. 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 1	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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 within 60 days of year-end.

13. Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

14. Recent Financial Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The City has not yet determined the impact of this pronouncement on its financial statements and disclosures.

15. Subsequent Events

Management of the City has evaluated subsequent events through March 27, 2020, the date the financial statements were available to be issued. No matters were identified that required disclosure or adjustment to these financial statements, except as disclosed in NOTE 11.

NOTE 2 – BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund and the Special Revenue Fund – Santa Fe Economic Development Corporation on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. The budget for the Special Revenue Fund and any amendments thereto are first approved by the Corporation’s Board of Directors and then by the City Council of the City.

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 Debt Service Fund 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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Investment Policy

The City’s Investment Policy, followed by the Corporation, 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 the Corporation 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 percent 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, 2019, 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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment pools must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service. The investments 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, 2019

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.
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, 2019, 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 September 30, 2019, the City's carrying amount of deposits was \$181,304 and the bank balance was \$239,315. The total bank balance is covered by federal depository insurance. The cash balance is also 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 September 30, 2019, the Corporation's carrying amount of deposits was \$195,959 and the bank balance was \$196,756. The total bank balance is covered by federal depository insurance. The cash balance is also collateralized with securities held by the pledging financial institution or by its trust department or agent in the Corporation's name (Risk Category 1).

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

<i>September 30, 2019</i>	City Funds	Santa Fe Economic Development Corporation	Total
Demand and time deposits	\$ 181,304	\$ 466	\$ 181,770
Money market account	-	195,493	195,493
Petty cash	500	-	500
Total cash and cash equivalents	181,804	195,959	377,763
Less restricted cash and cash equivalents	(18,484)	-	(18,484)
Unrestricted cash and cash equivalents	\$ 163,320	\$ 195,959	\$ 359,279

Investments

The City has the following investments as of September 30, 2019:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 1,012,227	1	49.4%	AAAm
Certificates of deposit	1,035,000	260	50.5%	
Money market mutual fund	2,544	1	0.1%	
	\$ 2,049,771		100.0%	

The City has certificates of deposit acquired from five different financial institutions in amounts ranging from \$150,000 to \$245,000 with interest ranging from 1.775% to 2.788%. The certificates of deposit mature at dates ranging from February 2020 to September 2020 and each certificate of deposit is insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration up to \$250,000, including interest.

The Corporation has the following investments as of September 30, 2019:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 3,058,627	1	87.5%	AAAm
Certificates of deposit	435,813	54	12.5%	
	\$ 3,494,440		100.0%	

The Corporation's certificates of deposit are maintained with two financial institutions in amounts ranging from \$200,000 to \$235,813 with interest ranging from 2.80% to 3.058%. The certificates of deposit mature at dates ranging from November 2020 to February 2021.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

TexPool - The City and the Corporation are participants 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 and the Corporation had \$577,396 and \$1,095,074 respectively, invested in TexPool as of September 30, 2019. 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.

The TexPool 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.
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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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" or the "Cooperative") 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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 and the Corporation had \$434,831 and \$1,963,553, respectively, invested in LOGIC I as of September 30, 2019. 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. 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;
4. 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;
5. 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;
6. 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
7. 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 LOGIC 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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

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, 2019, the City had no concentration of credit risk.

As of September 30, 2019, the City's external investment pools including those of the City's blended component unit, meet the criteria described in GASB Cod. Sec. In5.102 and In5.104, *Investment Pools (External)*, and measure all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2019 are as follows:

	Governmental Activities				
	General Fund	Debt Service Fund	Special Revenued Funds		Total Governmental Funds
			Grants Fund	Santa Fe Economic Development Corporation	
Property tax	\$ 175,612	\$ 18,924	\$ -	\$ -	\$ 194,536
Intergovernmental	-	-	158,215	354,653	512,868
Sales tax, franchise tax and other	2,279,516	6,056	-	-	2,285,572
	2,455,128	24,980	158,215	354,653	2,992,976
Less allowance for collectibility	(1,269,103)	(2,400)	-	-	(1,271,503)
Totals	\$ 1,186,025	\$ 22,580	\$ 158,215	\$ 354,653	\$ 1,721,473

NOTE 5 – INTERFUND ACTIVITY

In the government-wide 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, 2019. In the governmental fund financial statements as of September 30, 2019, certain amounts are reported as due to and from the general fund and special revenue fund, respectively, representing advances for grant related costs to be repaid upon reimbursement by the granting agency.

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 546,297	\$ -	\$ -	\$ 546,297
Construction in progress	53,060	231,339	-	284,399
Total capital assets, not being depreciated	599,357	231,339	-	830,696
Capital assets, being depreciated:				
Buildings	4,021,323	-	-	4,021,323
Buildings improvements	262,758	-	-	262,758
Computer	275,142	18,336	-	293,478
Equipment	1,622,840	28,150	-	1,650,990
Furniture and fixtures	53,445	-	-	53,445
Improvements (other than building)	121,143	-	-	121,143
Infrastructure	26,845,854	-	-	26,845,854
Infrastructure improvements	4,887,723	439,629	-	5,327,352
Radios	206,031	3,305	-	209,336
Police canine	-	9,000	-	9,000
Vehicles	768,057	244,683	12,075	1,000,665
Total capital assets, being depreciated	39,064,316	743,103	12,075	39,795,344
Less accumulated depreciation for:				
Buildings	(743,212)	(100,578)	-	(843,790)
Buildings improvements	(139,412)	(12,015)	-	(151,427)
Computer	(240,424)	(19,912)	-	(260,336)
Equipment	(1,075,517)	(95,056)	-	(1,170,573)
Furniture and fixtures	(29,419)	(4,228)	-	(33,647)
Improvements (other than building)	(75,426)	(6,151)	-	(81,577)
Infrastructure	(15,564,734)	(448,365)	-	(16,013,099)
Infrastructure improvements	(2,928,903)	(313,413)	-	(3,242,316)
Radios	(157,849)	(16,190)	-	(174,039)
Police canine	-	(1,286)	-	(1,286)
Vehicles	(465,520)	(64,122)	(12,075)	(517,567)
Total accumulated depreciation	(21,420,416)	(1,081,316)	(12,075)	(22,489,657)
Total capital assets, being depreciated, net	17,643,900	(338,213)	-	17,305,687
Governmental activities capital assets, net	\$ 18,243,257	\$ (106,874)	\$ -	\$ 18,136,383

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

Construction in progress of \$284,399 was related to the sanitary sewer line project on FM 1764 Between Winston Street and FM 646N. This project is being conducted by the Corporation. Upon completion of the project the infrastructure assets will be transferred to Galveston County Water Control and Improvement District No. 8 (WCID No.8) per interlocal agreements.

Certain capital assets were acquired under capital lease arrangements. The cost and accumulated depreciation associated with those capital assets is summarized as follows:

<i>September 30, 2019</i>	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 24,000	\$ -	\$ 24,000
Buildings	91,533	(38,771)	52,762
Computer	91,296	(79,656)	11,640
Equipment	785,514	(330,705)	454,809
Radios	148,030	(118,385)	29,645
Vehicles	566,543	(153,204)	413,339
	<u>\$ 1,706,916</u>	<u>\$ (720,721)</u>	<u>\$ 986,195</u>

Depreciation expense, including depreciation of assets acquired under capital leases, was charged to functions of governmental activities as follows:

Year ended September 30,	2019
General government	\$ 14,263
Community service	547
Police/judicial	181,623
Library	12,256
Streets	855,799
Community center	7,190
Parks	9,638
Total depreciation expense - governmental activities	\$ 1,081,316

No depreciation expense was charged to expenditures/expenses of the Corporation.

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,870,000	\$ -	\$ 150,000	\$ 2,720,000	\$ 150,000
Bond premium	140,789	-	10,057	130,732	-
Capital leases	235,698	287,781	235,516	287,963	171,057
Net pension liability	2,031,805	2,282,363	1,334,115	2,980,053	-
Compensated absences	693,621	427,701	322,999	798,323	412,131
	<u>\$ 5,971,913</u>	<u>\$ 2,997,845</u>	<u>\$ 2,052,687</u>	<u>\$ 6,917,071</u>	<u>\$ 733,188</u>

Bonds payable at September 30, 2019, is comprised of the following individual issue:

	Original Issue	Matures	Interest rate (%)	Interest Payment Dates	Debt Outstanding
Governmental Activities:					
General obligation bonds, Series 2013	\$ 3,535,000	2033	3.0-5.0	March 1 / Sept. 1	\$ 2,720,000

Debt service requirements on long-term debt at September 30, 2019 is as follows:

Governmental Activities - General Obligation Bonds			
Fiscal Year Ending September 30,	Principal	Interest	Total
2020	\$ 150,000	\$ 109,750	\$ 259,750
2021	155,000	105,175	260,175
2022	160,000	100,450	260,450
2023	165,000	95,575	260,575
2024	170,000	89,700	259,700
2025-2029	970,000	337,500	1,307,500
2030-2033	950,000	98,000	1,048,000
	<u>\$ 2,720,000</u>	<u>\$ 936,150</u>	<u>\$ 3,656,150</u>

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

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (Continued)

A summary of changes in the unamortized bond premium follows:

	Original Premium	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Governmental Activities:					
General obligation bonds, Series 2013	\$ 201,130	\$ 140,789	\$ -	\$ 10,057	\$ 130,732

As September 30, 2019, the future minimum lease payments on the capital leases are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2020	\$ 181,250
2021	89,348
2022	17,057
2023	17,055
Total minimum lease payment	304,710
Less: amount representing interest	(16,747)
Present value of minimum lease payments	\$ 287,963

The Corporation had no long-term debt as of September 30, 2019.

NOTE 8 – DEFERRED INFLOWS OF RESOURCES – GOVERNMENTAL FUNDS

Property taxes are levied by the County Commission in February each year based on property records as of the preceding October 1. The enforceable legal claim exists as of the levy date preceding each October when property taxes are assessed. At September 30, 2019 deferred inflows of resources in the General Fund consisted of earned revenue but unavailable – property taxes of \$154,214 and earned revenue but unavailable – municipal court fines of \$134,351.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan

Plan description

The City participates as one of 866 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.

Prior to joining TMRS in 1996, the City participated in a prior retirement plan. Under the prior retirement plan, the City Council accepted an amendment to allow employees of the Galveston County Water Control & Improvement District No. 8 (“GCWCID”) to contribute to and participate in the prior retirement plan. Upon joining TMRS and as a continuation of prior practice, all City employees and employees of the GCWCID were enrolled in TMRS and have continued to contribute to and participate in TMRS.

In July 2018, TMRS determined that the employees of GCWCID are not eligible to participate in TMRS. With respect to employees of GCWCID who have accounts at TMRS and are no longer eligible to participate, TMRS is currently analyzing the options available to resolve this matter under federal and state laws that govern TMRS. However, effective after June 2018 payrolls, TMRS will no longer accept contributions from the employees of GCWCID and the City is prohibited from enrolling any further employees of GCWCID in the future. Further, TMRS will not accept refund or retirement applications for current GCWCID employees pending legal review of options available to address this matter in accordance with federal and state law.

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

The actuarial data and the resulting pension liability, pension deferred inflows of resources and outflows of resources, and pension expense reflected in the City’s government-wide financial statements and the following sections of this footnote, reflect the joint participation of City and GCWCID employees as reported to TMRS. However, actuarial data and the resulting pension liability, pension deferred inflows of resources and outflows of resources and pension expense should reflect that solely attributable to City employees. Currently, it is not possible to segregate this information between that attributable to City employees and GCWCID employees. Although the effect on the City’s government-wide financial statements cannot be accurately determined, it is expected that the pension liability and related deferred inflows of resources and outflows of resources are likely overstated for amounts that would be attributable to employees of GCWCID and no adjustments for this uncertainty have been reflected in the accompanying government-wide financial statements.

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.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

<u><i>December 31,</i></u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	59
Active members	60
Total	148

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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 12.07% and 11.62% of covered payroll in calendar years 2018 and 2019, respectively. The City’s contributions to TMRS for the year ended September 30, 2019, were \$369,158, and were equal to the required contribution.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2018, and the total pension liability 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.5%, including inflation
Investment rate of return	6.75% , 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-distinct RP2000 Combined Healthy Mortality Tables 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 Combined Healthy

Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Discount rate

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100%	

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 12,941,677	\$ 10,909,872	\$ 2,031,805
Changes for the year:			
Service cost	422,506	-	422,506
Interest	865,520	-	865,520
Difference between expected and actual experience	(86,465)	-	(86,465)
Changes of assumptions	-	-	-
Contributions - employer	-	371,423	(371,423)
Contributions - employee	-	215,407	(215,407)
Net investment income	-	(326,871)	326,871
Benefit payments, including refunds of employee contributions	(660,820)	(660,820)	-
Administrative expense	-	(6,316)	6,316
Other changes	-	(330)	330
Net changes	540,741	(407,507)	948,248
Balance at December 31, 2018	\$ 13,482,418	\$ 10,502,365	\$ 2,980,053

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the City's net pension liability calculated using the discount rate of 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 4,940,861	\$ 2,980,053	\$ 1,388,849

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.

City of Santa Fe, Texas
Notes to Financial Statements

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2019, the City recognized pension expense of \$375,093. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 166,521
Changes of actuarial assumptions	7,022	-
Difference between projected and actual investment earnings	962,522	400,444
Contribution subsequent to the measurement date	284,258	-
Total	\$ 1,253,802	\$ 566,965

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$284,258 will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2020	\$ 105,025
2021	20,725
2022	64,173
2023	212,656
	\$ 402,579

NOTE 10 – 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 Corporation has been included as a "covered party" of the City of Santa Fe's insurance coverage and is entitled to all the declarations of coverage available to the City. 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.

NOTE 11 – CONTINGENCIES

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, 2019.

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.

Pension Uncertainty

Refer to Note 9 with respect to an uncertainty associated with the TMRS defined benefit retirement plan.

Right-of-way Purchases Project - FM 646 From FM 1764 to SH 6

The Board of Directors of the Corporation approved an interlocal agreement between the County of Galveston, the City, and the Corporation on June 7, 2011. The agreement terms specify that the Corporation will advance \$1,300,000 of funds to the City to forward to the County of Galveston for the County to acquire right-of ways, within the city limits of the City, related to the FM 646 from FM 1764 to SH 6 project. The funds will be advanced in seven equal installments of \$185,715 per installment starting June 30, 2019 through December 31, 2019. The County of Galveston has also entered into a contract with the Texas Department of Transportation (TxDot) in which TxDot will reimburse 90% to the County of eligible right-of way acquisitions. At such time that the County has received the maximum amount of reimbursement it is entitled to receive from TxDot, it will reimburse the County for forwarding to the Corporation approximately 90% of the advanced funds or \$1,170,000. If eminent domain proceedings, excess takings, or other expenses, including but not limited to the retention of special counsel or administrative expenses, are needed to acquire any right of way parcels, the Corporation will forgo the right of reimbursement for such unapproved costs and this amount may be affected.

NOTE 11 – CONTINGENCIES (Continued)

As of September 30, 2019, TxDot has reimbursed the County of Galveston a portion of the contract amount and the County has forwarded \$1,000,000 to the Corporation. The remaining amount of \$170,004 was received by the Corporation in the 2019-20 fiscal year. No additional amount remains to be advanced by the Corporation to the County of Galveston as of September 30, 2019.

Sanitary Sewer Project on FM 1764 Between Winston Street and FM 646 N

The Corporation Board of Directors approved three Sanitary Sewer Project areas on FM 1764 between Winston Street and FM 646 on February 13, 2018. The three designated areas are Project Area 1, Winston Street to Avenue S, Project Area 2, Avenue S to Avenue Q, and Project Area 3, Avenue Q to FM 646. They also approved an interlocal agreement with Galveston County Water Control and Improvement District No. 8 (WCID No. 8) on August 14, 2018. This agreement specifies that the Corporation and WCID No. 8 will work together in relation to the Sanitary Sewer Projects mentioned above. The Corporation will pay for all construction and non-construction costs and enter into contracts with the engineer and construction contractor for the construction of the sanitary sewer improvements. The Corporation will pay for all sewer lines and lift station improvements, including the installation, surveying, engineering, inspection, land acquisition, and right-of-way costs. After completion and acceptance of the improvements by the Corporation, they will be made available to WCID No. 8 for use as part of its facilities, along with any land acquisitions and/or right-of-way acquired by the Corporation necessary for the project. WCID No. 8 has agreed to assume full responsibility for the maintenance and operation of the project beginning one year after the completion of the project and its acceptance by the Corporation. Once the project is received by WCID No. 8, the Corporation ceases to bear any further costs or expenses whatsoever in connection with the project.

As of September 30, 2019, the project is expected to be completed in the summer of 2021. The project is estimated to cost between \$4.1 million and \$4.4 million depending on inflation. At this time it is anticipated that the Corporation will be able to fund this entire project and no borrowed funds will be needed. Actual expenditures incurred and reported in the 2018-2019 fiscal year amounted to \$231,338 and cumulative expenditures are \$284,399 as of September 30, 2019. The remaining project costs have not been incurred and will be reported in future years as the project continues.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, there may be a significant impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2019, the City determined that revenues from municipal fines and forfeits in the prior year were not recognized under the accrual basis of accounting. As a result, the beginning net position of the City has been increased by \$116,324 as a prior period adjustment in the government-wide statement of activities.

REQUIRED SUPPLEMENTARY INFORMATION

City of Santa Fe
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 2,132,775	\$ 2,182,775	\$ 2,200,469	\$ 17,694
Penalties and interest	25,000	25,000	28,491	3,491
Sales taxes	1,964,000	1,964,000	1,953,798	(10,202)
Franchise taxes	776,000	796,000	797,268	1,268
License and permits	177,175	253,975	267,190	13,215
Fines and forfeitures	256,500	256,500	237,212	(19,288)
Investment earnings	25,000	43,000	43,557	557
Intergovernmental	2,000	41,831	42,309	478
Contributions	-	265,415	263,480	(1,935)
Other	96,027	110,346	49,552	(60,794)
Total Revenue	5,454,477	5,938,842	5,883,326	(55,516)
Expenditures				
<i>Current:</i>				
General government	1,744,374	1,783,650	1,725,049	58,601
Public safety	2,364,742	2,425,917	2,267,594	158,323
Public works	1,068,265	959,766	941,433	18,333
Capital Outlay		669,088	735,106	(66,018)
Debt Service:				
Principal and interest	277,096	287,846	241,534	46,312
Total Expenditures	5,454,477	6,126,267	5,910,716	215,551
<i>Excess (Deficiency) of revenues over (under) expenditures</i>	-	(187,425)	(27,390)	160,035
Other Financing Sources				
Capital leases	-	287,781	287,781	-
Total other financing sources	-	287,781	287,781	-
Net change in fund balance	-	100,356	260,391	160,035
Fund balance - beginning	997,419	1,192,607	1,884,414	691,807
Fund balance - ending	\$ 997,419	\$ 1,292,963	\$ 2,144,805	\$ 851,842

See independent auditors' report.

City of Santa Fe
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended September 30, 2019

Budget 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. Expenditures 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 Debt Service Fund 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 ended September 30, 2019, expenditures exceeded appropriations in capital outlay by \$66,018.

City of Santa Fe
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Special Revenue Fund –
Santa Fe Section 4B Economic Development Corporation
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 650,000	\$ 650,000	\$ 646,646	\$ (3,354)
Investment earnings	25,000	83,000	80,152	(2,848)
Total Revenue	675,000	733,000	726,798	(6,202)
Expenditures				
<i>Current:</i>				
General government	28,200	28,200	25,763	2,437
Capital Outlay	-	280,000	231,339	48,661
Total Expenditures	28,200	308,200	257,102	51,098
<i>Excess (Deficiency) of revenues over (under) expenditures</i>	646,800	424,800	469,696	44,896
Other Financing Sources				
Appropriated fund balance	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	646,800	424,800	469,696	44,896
Fund balance - beginning	3,576,150	3,576,151	3,576,151	-
Fund balance - ending	\$ 4,222,950	\$ 4,000,951	\$ 4,045,847	\$ 44,896

See independent auditors' report.

**City of Santa Fe
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Special Revenue Fund –
Santa Fe Section 4B Economic Development Corporation (Continued)
For the Year Ended September 30, 2019**

Budget and Budgetary Accounting

Annual budget are adopted on a basis consistent with generally accepted accounting principles for all the fund. The Corporation follows the procedures described below in establishing the budgetary data reflected in the financial statements. These procedures are designed to provide guidance to the Board of Directors in exercising its budget responsibilities.

The bylaws of the Corporation establish the fiscal year as the twelve-month period beginning October 1. On or before October 1 of each year a proposed budget is presented to the Board of Directors. The Board will review and make appropriate changes to the proposed budget prior to adopting it. Upon adoption of the final budget by the Board of Directors it must be presented to City of Santa Fe City Council for their approval. All amendments made to the original budget during the year must be approved by the Corporation's Board of Directors and City of Santa Fe City Council.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of the budgetary data to actual results of operations for Santa Fe Economic Development Corporation, for which an annual operating budget is legally adopted.

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

City of Santa Fe
Required Supplementary Information
Schedule of Changes in Net Pension Liability

	Last Ten Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost	\$ 422,506	\$ 445,581	\$ 434,657	\$ 426,311	\$ 385,401	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest (on the total pension liability)	865,520	825,529	771,006	750,133	708,090	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	(86,465)	(143,393)	(44,684)	(264,874)	(248,483)	N/A	N/A	N/A	N/A	N/A
Change of assumptions	-	-	-	82,954	-	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(660,820)	(386,630)	(330,730)	(254,426)	(275,261)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	540,741	741,087	830,249	740,098	569,747	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	12,941,677	12,200,590	11,370,341	10,630,243	10,060,496	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	\$ 13,482,418	\$ 12,941,677	\$ 12,200,590	\$ 11,370,341	\$ 10,630,243	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position										
Contribution - employer	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution - employee	215,407	225,529	218,938	217,395	207,581	N/A	N/A	N/A	N/A	N/A
Net investment income	(326,871)	1,301,113	577,467	12,077	426,592	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(660,820)	(386,630)	(330,730)	(254,426)	(275,261)	N/A	N/A	N/A	N/A	N/A
Administrative expense	(6,316)	(6,743)	(6,522)	(7,357)	(4,453)	N/A	N/A	N/A	N/A	N/A
Other	(330)	(342)	(352)	(363)	(366)	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	(407,507)	1,521,658	843,820	358,948	730,408	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	10,909,872	9,388,214	8,544,394	8,185,446	7,455,038	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	\$ 10,502,365	\$ 10,909,872	\$ 9,388,214	\$ 8,544,394	\$ 8,185,446	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net Pension Liability - ending (a) - (b)	\$ 2,980,053	\$ 2,031,805	\$ 2,812,376	\$ 2,825,947	\$ 2,444,797	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position as a percentage of total pension liability	77.90%	84.30%	76.95%	75.15%	77.00%	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$ 3,077,245	\$ 3,221,843	\$ 3,124,784	\$ 3,104,958	2,965,437	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net position liability as a percentage of covered employee payroll	96.84%	63.06%	90.00%	91.01%	82.44%	N/A	N/A	N/A	N/A	N/A

* GASB Cod. Sec. P20.146.b(2), *Pension Activities – Defined Benefit*, requires ten years of data to be provided in this schedule, however, only four years are currently available.

See independent auditors' report.

**City of Santa Fe
Required Supplementary Information
Schedule of Employer Contributions**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contributions	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the actuarially determined contributions	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered employee payroll	\$ 3,149,680	\$ 3,171,170	\$ 3,195,881	\$ 3,140,070	\$ 3,043,128	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution as a percentage of covered employee payroll	11.79%	12.26%	12.05%	12.47%	12.37%	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

City of Santa Fe
Required Supplementary Information
Schedule of Employer Contributions (Continued)

Notes to Schedule of Employer Contributions

Valuation Date

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	28 years
Asset valuation method	10 years smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50 to 10.50%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including Inflation
Retirement age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP 2000 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	There were no benefit changes during the year

OTHER SUPPLEMENTARY INFORMATION

**City of Santa Fe
Supplementary Information
Schedule of Temporary Investments**

City of Santa Fe, Texas

September 30, 2019

Funds	Indentification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2019	Accrued Interest
General Fund					
TexPool	840500001	0.40%	N/A	\$ 358,222	\$ -
Logic	2017295001	2.28%	N/A	434,831	-
Texas First Bank MM	10084929	0.10%	N/A	2,544	-
Keesler Federal Credit Union	49254FAK	2.78%	2/28/2020	240,000	-
Affinity Federal Credit Union	00832KBB4	2.29%	6/26/2020	200,000	-
American First Federal Credit	02616AAB5	2.53%	8/28/2020	150,000	-
Morgan Stanley Private Bank	61760AW21	1.75%	8/28/2020	245,000	-
New York Community Bank	649447SV2	1.75%	9/11/2020	200,000	-
Total General Fund				1,830,597	-
Debt Service Fund					
TexPool	840500002	0.40%	N/A	219,174	-
Total				\$ 2,049,771	\$ -

City of Santa Fe Section 4B Economic Development Corporation

September 30, 2019

Funds	Indentification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2019	Accrued Interest
Santa Fe Economic Development Corporation					
TexPool	788900001	1.94%	N/A	\$ 1,095,074	\$ -
Logic	98412001	2.19%	N/A	1,963,553	-
CD	Multiple	2.80%-3.05%	Varies	435,813	-
Total				\$ 3,494,440	\$ -

City of Santa Fe
Supplementary Information
Analysis of Taxes Levied and Receivable

	General Fund	Debt Service Fund	Total
Taxes receivable - October 1, 2018	\$ 169,937	\$ 17,141	\$ 187,078
Additions and corrections - prior years	(7,910)	10	(7,900)
Adjusted taxes receivable - October 1, 2018	162,027	17,151	179,178
Original tax roll 2018	2,326,256	335,353	2,661,609
Additions and corrections - current year	(124,877)	(18,002)	(142,879)
Adjusted tax roll	2,201,379	317,351	2,518,730
Total to be accounted for	2,363,406	334,502	2,697,908
Tax collections			
Current year	2,141,856	309,451	2,451,307
Prior year	45,938	6,127	52,065
Total collections	2,187,794	315,578	2,503,372
Taxes receivable - September 30, 2019	\$ 175,612	\$ 18,924	\$ 194,536
Taxes receivable - by tax year			
2018	\$ 57,970	\$ 8,357	\$ 66,327
2017	24,408	3,617	28,025
2016	14,977	2,317	17,294
2015	11,669	1,854	13,523
2014	8,722	1,461	10,183
2013 - prior	57,866	1,318	59,184
Taxes receivable - September 30, 2019	\$ 175,612	\$ 18,924	\$ 194,536

	2018	2017	2016
Property valuations			
Total property valuations	\$ 772,142,857	\$ 743,694,908	\$ 687,866,953
Tax rates Per \$100 valuations			
Maintenance and operations	\$ 0.2851	\$ 0.2841	\$ 0.2825
Debt service	0.0411	0.0421	0.0437
Total Tax Rate per \$100 Valuation	\$ 0.3262	\$ 0.3262	\$ 0.3262
Tax rolls	\$ 2,518,730	\$ 2,425,933	\$ 2,243,822

City of Santa Fe
Supplementary Information
Comparative Balance Sheets – General Fund

<i>As of September 30,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 47,454	\$ 46,206
Investments	1,830,597	1,618,796
Receivables:		
Property tax	149,065	143,682
Sales tax, franchise tax and other	1,036,960	769,857
Due from Special Revenue Fund	161,343	357,669
Prepays	40,318	4,374
Restricted cash and equivalents	18,484	18,466
Total Assets	\$ 3,284,221	\$ 2,959,050
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable and accrued liabilities	\$ 347,117	\$ 287,224
Refundable deposits	118,200	118,200
Unearned revenue	401,153	533,499
Total Liabilities	866,470	938,923
Deferred Inflows of Resources		
Unavailable revenue	272,946	135,713
Fund Balance		
Restricted	18,484	18,466
Assigned	-	60,727
Unassigned	2,126,321	1,805,221
Total Fund Balances	2,144,805	1,884,414
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,284,221	\$ 2,959,050

City of Santa Fe
Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – General Fund**

Year ended September 30, 2019 with Comparative Actual Balances for Year ended September 30, 2018

	2019			2018
	Budget	Actual	Variance	Actual
Revenue				
Property Tax	\$ 2,182,775	\$ 2,200,469	\$ 17,694	\$ 2,107,499
Penalties and interest	25,000	28,491	3,491	29,202
Sales taxes	1,964,000	1,953,798	(10,202)	1,885,330
Franchise taxes	796,000	797,268	1,268	781,519
License and permits	253,975	267,190	13,215	330,929
Fines and forfeitures	256,500	237,212	(19,288)	281,109
Investment earnings	43,000	43,557	557	29,408
Intergovernmental	41,831	42,309	478	-
Contributions	265,415	263,480	(1,935)	-
Other	110,346	49,552	(60,794)	133,262
Total revenue	5,938,842	5,883,326	(55,516)	5,578,258
Expenditures				
General Government				
General administration	756,898	733,694	23,204	623,817
Tax	21,468	18,461	3,007	21,162
Community center	15,551	13,928	1,623	17,812
Library	246,624	241,278	5,346	297,041
Judicial	278,639	268,476	10,163	252,029
Civil service	6,022	4,983	1,039	252,029
Parks	118,692	115,097	3,595	252,029
Community services	339,756	329,132	10,624	331,850
Total general government	1,783,650	1,725,049	58,601	2,047,769
Public safety				
Police	2,403,899	2,248,469	155,430	2,316,175
Fire marshal	22,018	19,125	2,893	18,216
Total public safety	2,425,917	2,267,594	158,323	2,334,391
Public works				
Public safety	143,767	143,877	(110)	104,292
Streets	801,999	784,386	17,613	837,083
Utilities	14,000	13,170	830	-
Total public works	959,766	941,433	18,333	941,375
Grant expenditures				
	-	-	-	-
Capital Outlay	669,088	735,106	(66,018)	320,270
Debt Service:				
Principal	287,846	235,516	52,330	-
Interest and fiscal charges	-	6,018	(6,018)	-
Total expenditures	6,126,267	5,910,716	169,239	5,643,805
Deficiency of revenues under expenditures	(187,425)	(27,390)	(224,755)	(65,547)
Other financing sources				
Capital leases	287,781	287,781	-	118,629
Total other financing sources	287,781	287,781	-	118,629
Net change in fund balance	100,356	260,391	(224,755)	53,082
Fund Balance - beginning	1,192,607	1,884,414	-	1,426,215
Fund Balance - ending	\$ 1,292,963	\$ 2,144,805	\$ (224,755)	\$ 1,479,297

**City of Santa Fe
Supplementary Information
Schedule of Insurance Coverage**

For the year ended September 30, 2019

<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	The Hartford	Gov't.	None
<u>Surety Bonds</u>				
Crime Policy	\$ 50,000	The Hartford	Gov't.	None
<u>Notary Bonds</u>				
	\$ 10,000 per bonded notary	Notary Public Underwrites Agency of Texas, Inc.	Gov't.	None
<u>Real and Personal Property</u>				
Property damage	\$ 6,830,531	Texas Municipal League (IRP)	Gov't	None
Mobile Equipment	\$ 1,378,058			
Boiler & Machinery	\$ 100,000			
<u>Automobile Liability:</u>				
<u>Commercial</u>				
Bodily injury - each person	\$ 25,000	Texas Municipal League (IRP)	Gov't.	None
Property damage - each occurrence	\$ 1,000,000			
<u>Cyber Liability:</u>				
Info Security and Privacy	\$ 1,000,000	Texas Municipal League (IRP)	Gov't.	None
Breach Response	\$ 50,000			
<u>Worker's Compensation</u>				
	Statutory	Texas Municipal League (IRP)	Gov't.	None
<u>General Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None
<u>Public Official Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None
<u>Windstorm and Hail</u>				
Per Occurrence	\$ 50,000	Texas Municipal League / Victor O. Schinneren	Gov't.	None
<u>Law Enforcement Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None

City of Santa Fe, Texas
Supplementary Information
Combining Schedule of Long-term Debt by Maturity Date –
Governmental Activities

Fiscal Year Ending	Total Requirements - All Long-Term Debt			General Obligation Bonds, Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 321,057	\$ 119,943	\$ 332,042	\$ 150,000	\$ 109,750	\$ 259,750
2021	239,732	109,790.94	260,175	155,000	105,175	260,175
2022	175,773	101,734	260,450	160,000	100,450	260,450
2023	181,402	96,229	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>\$ 3,007,963</u>	<u>\$ 952,897</u>	<u>\$ 3,728,442</u>	<u>\$ 2,720,000</u>	<u>\$ 936,150</u>	<u>\$ 3,656,150</u>

Fiscal Year Ending	Capital Lease - Gradall excavator			Capital Lease - utility tractor/mower		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 49,999	\$ 1,197	\$ 51,196	\$ 39,532	\$ 1,174	\$ 40,706
	<u>\$ 49,999</u>	<u>\$ 1,197</u>	<u>\$ 51,196</u>	<u>\$ 39,532</u>	<u>\$ 1,174</u>	<u>\$ 40,706</u>

Fiscal Year Ending	Capital Lease -4 police cars/truck/radio			Capital Lease - Chastang Ford dump truck		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 66,940	\$ 5,351	\$ 72,291	\$ 14,586	\$ 2,471	\$ 17,056
2021	69,565	2,727	72,292	15,167	1,889	17,056
2022	-	-	-	15,773	1,284	17,056
2023	-	-	-	16,402	654	17,056
	<u>\$ 136,505</u>	<u>\$ 8,078</u>	<u>\$ 144,583</u>	<u>\$ 61,927</u>	<u>\$ 6,298</u>	<u>\$ 68,225</u>