

2022-2023



City of Santa Fe

Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2023

COVER DESIGN BY JENNA DAVIS



	Page
INTRODUCTORY SECTION	
Transmittal letter	2
City Officials	7
Organization Chart	8
Certificate of Achievement for Excellence in Financial Reporting	9
FINANCIAL SECTION	
Independent Auditor’s Report	11
Management’s Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements	
Balance Sheet – Governmental Funds	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Notes to Financial Statements	30
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual– General Fund	65
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – Santa Fe Economic Development Corporation	67
Schedule of Changes in Net Pension Liability	69
Schedule of Employer Contributions	70
Other Supplementary Information	
Schedule of Temporary Investments	73
Analysis of Taxes Levied and Receivable	74
Comparative Balance Sheets – General Fund	75
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (with comparative actual balances)	76



	Page
Other Supplementary Information (Continued)	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual– Debt Service (with comparative actual balances).....	77
Schedule of Insurance Coverage	78
Combining Schedule of Long-term Debt by Maturity Date – Governmental Activities	79
STATISTICAL SECTION	
Financial Trends	
Net Position by Component – Last Ten Fiscal Years	82
Changes in Net Position – Last Ten Fiscal Years	83
Fund Balances of Governmental Funds – Last Ten Fiscal Years	84
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	85
Revenue Capacity	
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years	86
Direct and Overlapping Government Property Tax Rates – Last Ten Fiscal Years	87
Principal Property Taxpayers – Current Year and Nine Years Ago	88
Property Tax Levies and Collections – Last Ten Fiscal Years	89
Debt Capacity	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	90
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	91
Schedule of Direct and Estimated Overlapping Debt – As of September 30, 2023	92
Legal Debt Margin Information – Last Ten Fiscal Years	93
Demographic and Economic Information	
Demographic and Economic Statistics – Last Ten Calendar Years	94
Top Ten Principal Employers – Current Year and Nine Years Ago	95
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	96
Operational Information	
Operating Indicators by Function/Program – Last Ten Fiscal Years	97
Capital Assets Statistics by Function/Program – Last Ten Fiscal Years	98
REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS	
Schedule of Expenditures of Federal Awards	100
Notes to Schedule of Expenditures of Federal Awards	101
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	104
Schedule of Findings and Questioned Costs	107

INTRODUCTORY SECTION

CITY OF SANTA FE

April 24, 2024

Citizens of Santa Fe Texas, Honorable Mayor and Members of City Council
City of Santa Fe
Santa Fe, Texas

We are pleased to present the Annual Comprehensive Financial Report of the City of Santa Fe, Texas, for the fiscal year ended September 30, 2023. As required by state law, the Annual Comprehensive Financial Report includes financial statements that have been audited by a firm of licensed certified public accountants. The financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by the licensed certified public accounting firm of Carr, Riggs & Ingram, LLC.

The report consists of management's representations concerning the finances of the city. As a result, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the city has established a comprehensive internal control framework. That framework is designed to protect the city's assets from loss, theft, or misuse and to compile sufficient, reliable information for the presentation of the city's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the city's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Carr, Riggs & Ingram, LLC conducted the independent audit to provide reasonable assurance that the City of Santa Fe's financial statements for the fiscal year ended September 30, 2023, are free of material misstatement. The independent audit entailed testing the evidence supporting the amounts and disclosures in the financial statements, evaluating the accounting principles used, and significant estimates made by management, and assessing the overall financial statement presentation. Carr, Riggs & Ingram, LLC concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Santa Fe's financial statements for the fiscal year ended September 30, 2023, are fairly presented in accordance with GAAP. Carr, Riggs, and Ingram, LLC's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Santa Fe's MD&A can be found immediately following the report of Carr, Riggs & Ingram, LLC.

CITY OF SANTA FE

Profile of the City of Santa Fe

Santa Fe, located twenty miles from Galveston, is approximately seventeen square miles in area. Its location is appealing because it is very convenient to all of the area's major tourism and business travel attractions, including Galveston.

According to the U.S. Census Bureau, Santa Fe's population for 2010 and 2020 was 12,222 and 12,764, respectively, for an increase of 4.43 percent. The Texas Demographics Center estimates that the City's population at the start of 2023 had grown very slightly, to 12,887, making Santa Fe the 210th largest city (out of 1,228) in the state of Texas, up from the 228th largest city last year. The demographics of Santa Fe's population can be summed up as older and growing, although recent development trends will likely change this assessment within a few years' time. The median age of Santa Fe residents is 42.8 years, compared to the national average of 38.1 years. 16.1 percent of all persons residing in the city are younger than 18 years of age, and 17.9 percent are older than 65 years.

The City of Santa Fe was incorporated on January 21, 1978. A city council-manager form of government was adopted in 1981. Policymaking and legislative authority are vested in a governing city council consisting of a mayor and five at-large members of council. Members of council serve three-year staggered terms. The governing city council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the city manager, the city secretary, and the city attorney. The city manager is responsible for executing the policies and ordinances of the city council, overseeing the day-to-day operations of the city, and appointing the directors of the various departments.

The city provides the full range of municipal services contemplated by statute or charter. This includes public safety (primarily police and fire marshal), streets, culture-recreation, public improvements, planning and zoning, tourism, and general administrative services.

A basis for preparing the Annual Comprehensive Financial Report for the City was the identification of the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the city's annual comprehensive financial report. A component unit is considered part of the city's reporting entity when it is concluded that the city is financially accountable for the entity or when the nature and significance of the relationship between the city and the entity are such that exclusion would cause the city's financial statements to be misleading or incomplete.

The Santa Fe Public Economic Development Corporation, Texas (the "EDC"), which was established during fiscal year 2001, is a non-profit corporation in accordance with the Texas Development Corporation Act. The City Council appointed the initial board of directors of EDC and fills any vacancies on the board. The board consists of seven members. Through an agreement with the EDC, the city also maintains all financial records for the EDC.

The Economic Development Corporation's component unit funds, as well as all city funds, are included in the annual comprehensive financial report.

CITY OF SANTA FE

Annual Budget Process

The budget process is designed to identify and plan the functions, activities, and accomplishments of the city as well as its financial needs. As required by the Charter of the City, the City Manager submits the proposed budget to City Council for the fiscal year prior to the beginning of the fiscal year. The annual budget process generally begins in April or sooner and is typically approved by the City Council in September.

Several public hearings are conducted to obtain taxpayer comments. The annual budget and the city's ad valorem tax rate are adopted through a tax ordinance by the City Council prior to the beginning of the fiscal year, as required by state law. The city manager or the finance director is authorized to transfer budget amounts between departments within any fund; however, the City Council must approve all budget amendments that alter the overall fund total of appropriated expenditures or expenses for any fund to adhere to legal levels of budgetary control.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. Governmental funds with appropriated annual budgets are the General Fund, the Debt Service Fund, and the Special Revenue Fund. Comparisons for those governmental funds other than the General Fund and Special Revenue Fund are presented in the other supplementary information section of this report. Budget-to-actual reports are prepared monthly by the finance department and provided to the City Council and management for review and use in monitoring revenues and expenditures prior to the end of the fiscal year.

The City Council developed, and in 2023, adopted, a Comprehensive Plan for the City to set the foundation for future year objectives and provide a blueprint on where the organization should focus its direction. This process involved the creation of the Comprehensive Plan Advisory Committee, adoption of the project schedule, data collection, and significant public engagement. Today, the Comprehensive Plan serves as a guiding document for Council and staff alike.

Factors Affecting Financial Condition

An understanding of the information presented in the financial statements is enhanced when it is reviewed within the context of the city's local economy. The following data is provided to highlight a wide range of economic forces that help run the city.

Local Economy

The City's building permit revenue for fiscal year 2023 was \$443,163 , an increase of 22% from last fiscal year.

The City's retail sales tax increased 10.9% during fiscal year 2023. The City continues to monitor the monthly sales tax revenue and will make necessary expenditure adjustments, if necessary, to maintain healthy reserves in its fund balance.

CITY OF SANTA FE

According to the U.S. Bureau of Labor Statistics, Santa Fe's unemployment rate at the end of 2023 was 3.7%, down 1% from the prior year. This compares to the national average of 4.0 percent for the same period.

Long-Term Financial Planning

In fiscal year 2023, the city changed its fund balance policy statement from a percentage-based to 90 days of average projected current year's expenditures and outgoing transfers. Using an interactive five-year budget modeling tool, the city can also estimate future fund balance levels as situations dictate. As of September 30, 2023, the City's General Fund unassigned fund balance amounted to approximately 130 days.

Major Initiatives

In 2023, the city demonstrated resiliency and innovation, as well as a proactive and conservative approach to economic development through various city initiatives. The following are some of the year's major initiatives and accomplishments.

Firstly, the City carefully developed and then adopted a Comprehensive Plan for Santa Fe, with the intention that the document help guide the City Council and staff in making development and ordinance decisions to prepare the City for the growth and changes that are to come. The Plan was made with a significant amount of public input and guidance, which was examined and discussed in detail by a steering committee made of up representatives from various subsections of the city, including government officials, realtors, developers, business owners, etc.

Secondly, the City successfully negotiated a development agreement with Megatel Homes for the development, over the next decade, of over 1,000 acres of land. The development, much of which lies within the City's ETJ, but is to be annexed into the city limits as a part of the Agreement, will bring a lagoon, commercial businesses, and approximately 2,800 single-family homes and 1,200 apartment units to the city. Upon full build-out of the development, the population of Santa Fe is expected to double based on that development alone. The Megatel project will also allow for the significant expansion of the territory of Galveston County Water Control and Improvement District No. 8 (WCID#8), the city's water district, and allow that expansion and associated infrastructure to be paid for by the developer. The project thus not only improves and expands infrastructure within Santa Fe but also creates a significant number of construction and other job opportunities for the local community.

Thirdly, the City approved a financial incentive to a development firm that is to construct an assisted living facility on FM 1764 at Avenue F. As a part of the incentive, water and sewer infrastructure will be extended along FM 1764 to the development, with sufficient excess capacity to benefit each property along the way. This project continues the City's efforts to create first-time water and sewer infrastructure for areas of the city that lack such services, and the addition of the services makes development along that important commercial corridor more viable.

CITY OF SANTA FE

Finally, as requested by the public and approved by the Council in the City's Comprehensive Plan, the City took a major step towards improving the park and recreation facilities available to the public. This was accomplished through the purchase of Behringer-Tully Field from Santa Fe Independent School District using grant funds that were generously donated by the Santa Fe Economic Development Corporation. The City now owns and operates Behringer-Tully Field as a public park. Future improvements to the park are to be determined, but the addition of the 4.55-acre park to the City's inventory increases its parkland by over 60% and saves the historically public land from being commercially developed.

Awards and Acknowledgements

A Certificate of Achievement is only valid for one year. We believe that our current annual comprehensive financial report meets the requirements of the Certificate of Achievement Program, and we are submitting it to the GFOA to see if it is eligible for the certificate. We would like to thank Carr, Riggs & Ingram, LLC, our independent certified public accountants, for their competent assistance and technical efficiency in assisting the City in receiving the Certificate of Achievement for Excellence in Financial Reporting.

The annual comprehensive financial report was made possible thanks to the dedicated service of the entire Financial Services Department. We are grateful to every member of this department for their contributions to the creation of this report.

The Mayor, City Council, and City Manager's Office must also be credited for their unwavering support in maintaining the highest standards of professionalism in the management of the City of Santa Fe.

Respectfully submitted,



Alun W. Thomas
City Manager



Rudy Zepeda
Finance Director

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**City of Santa Fe, Texas
City Officials
As of September 30, 2023**

MAYOR

Bill Pittman

CITY COUNCIL

Council Member
Council Member
Council Member
Council Member
Council Member

John Dickerson
Ronald Jannett
Dana Marks
Brandon Noto
Jason O'Brien

CITY MANAGER

Alun Thomas

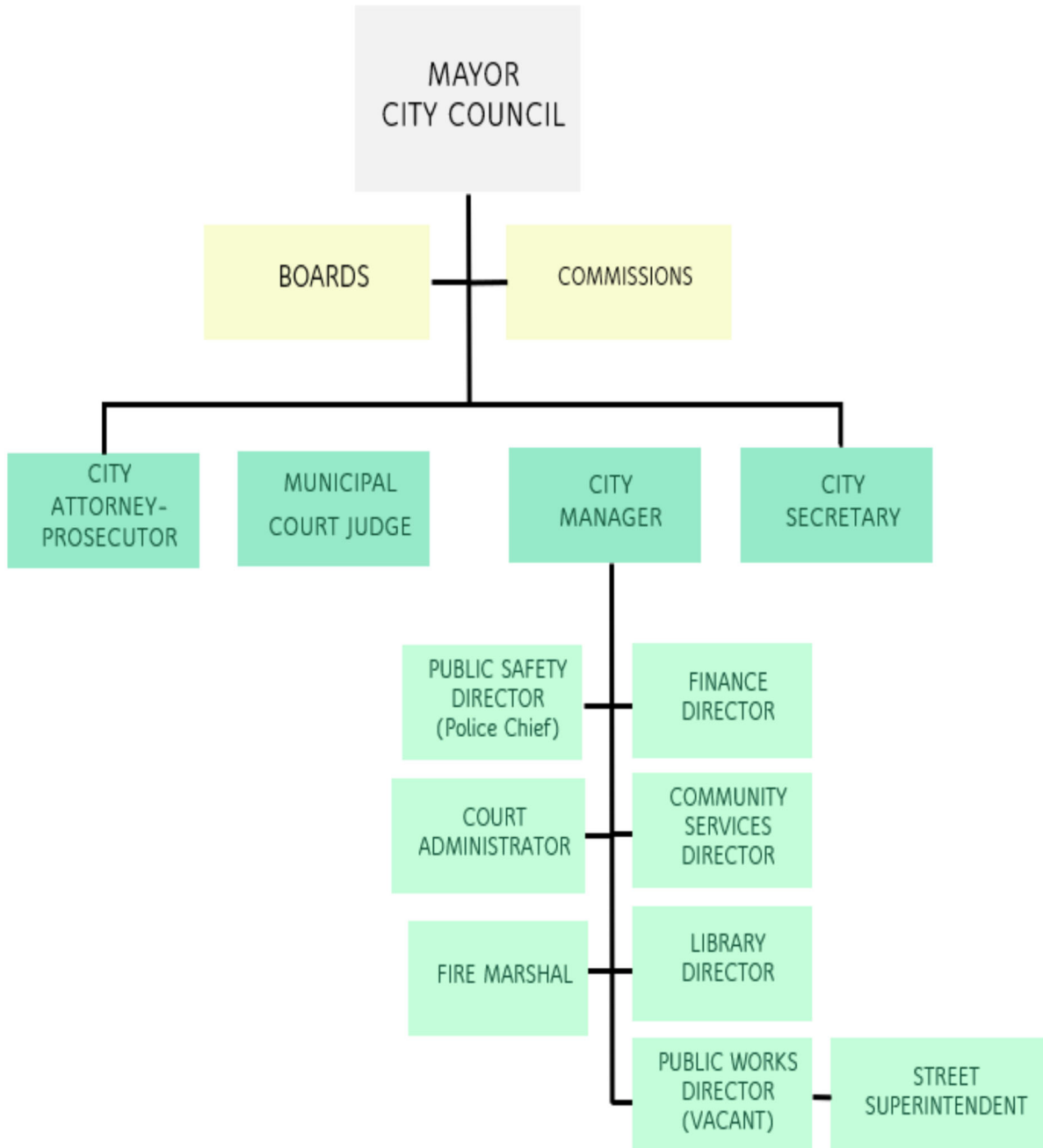
CITY SECRETARY

Natalie Arnett

CITY FINANCE DIRECTOR

Rudy Zepeda

CITY OF SANTA FE ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Santa Fe
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



Carr, Riggs & Ingram, LLC
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Houston, TX 77056

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Santa Fe, Texas, as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Santa Fe, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financials Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 15-22 and 64-71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information on pages 72-79 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024, on our consideration of the City of Santa Fe, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Santa Fe, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Fe, Texas' internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
April 24, 2024

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City of Santa Fe, Texas Management's Discussion and Analysis

As management of the City of Santa Fe, Texas (the "City"), we offer readers of the City's financial statements this narrative overview of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 to 6 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,905,029 (net position).
- The City's total net position increased by \$337,024 during the year.
- The City's total expenses were \$10,112,845. Program revenues of \$2,659,421 decreased the net cost of the City's functions to be financed from the City's general revenues to \$7,453,424.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$3,490,365, increase of \$794,866 in comparison with the prior year.

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, deferred outflows, 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 blended component unit: the City of Santa Fe Section 4B Economic Development Corporation (the Corporation) which is reported as a special revenue fund.

The government-wide financial statements can be found beginning on page 24 of this report.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar.

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 fund 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 that explains the relationship/differences between them.

The City maintains three individual governmental funds for financial reporting purposes: the General Fund, the Debt Service Fund and one Special Revenue Fund: 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, 2023.

The basic governmental fund financial statements can be found beginning on page 26 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 30 through 63 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 64 through 71 of this report.

City of Santa Fe, Texas
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,905,029 as of September 30, 2023.

The following table reflects the condensed statement of net position:

<i>September 30,</i>	2023	2022
Assets		
Current and other assets	\$ 10,823,478	\$ 10,759,183
Capital assets	20,289,865	20,269,687
Total assets	31,113,343	31,028,870
Deferred outflows of resources		
Deferred outflows - pension plan	1,893,437	834,340
Liabilities		
Long-term liabilities outstanding	9,534,593	7,523,051
Other liabilities	3,567,158	3,893,289
Total liabilities	13,101,751	11,416,340
Deferred inflows of resources		
Deferred inflows - pension plan	-	878,865
Net Position		
Net investment in capital assets	17,212,251	16,748,288
Restricted	471,264	446,645
Unrestricted	2,221,514	2,373,072
Total net position	\$ 19,905,029	\$ 19,568,005

The largest portion of the City's net position, \$17,212,251 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. Although the City reports net investment in capital assets, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, a portion of the City's net position of \$471,264, which 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, 2023, unrestricted net position was \$2,221,514.

City of Santa Fe, Texas
Management's Discussion and Analysis

The following table shows condensed revenue and expense data:

<i>For the years ended September 30,</i>	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 1,021,177	\$ 647,987
Operating grants and contributions	1,151,626	1,989,244
Capital grants and contributions	486,618	297,846
General revenues:		
Property taxes	2,905,897	2,949,509
Other taxes	4,578,518	4,223,307
Investment earnings	278,693	44,694
Other	27,340	45,038
Total revenues	10,449,869	10,197,625
Expenses:		
General government	3,344,975	3,465,537
Economic development	648,369	343,593
Public safety	3,755,836	3,104,913
Public works	2,258,264	2,015,700
Interest	105,401	105,435
Total expenses	10,112,845	9,035,178
Change in net position	337,024	1,162,447
Net position - beginning	19,568,005	18,405,558
Net position - ending	\$ 19,905,029	\$ 19,568,005

The net position relating to governmental activities of the City increased by \$337,024.

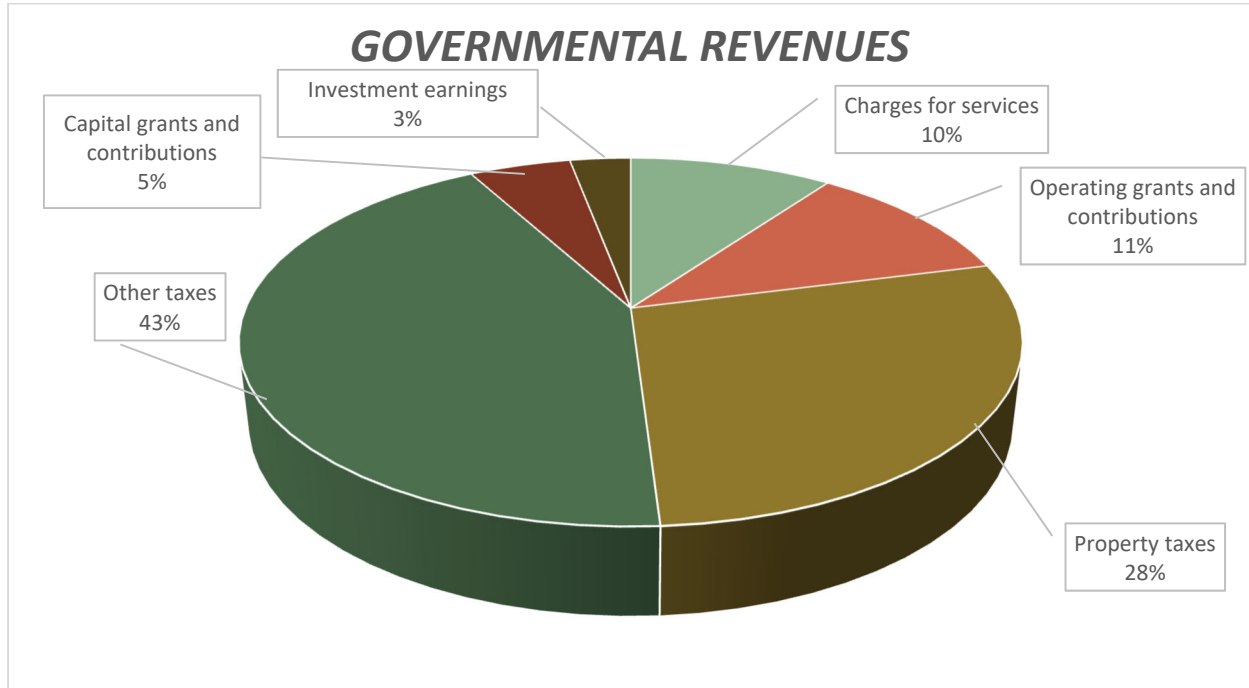
In 2023, charges for services increased by 58% compared to 2022, due to the increase in building permits fees, plan review fees, and municipal court fines.

In 2023, operating grants and contributions decreased by 42% compared to 2022, due to the decrease in funding from the CDBG federal grant.

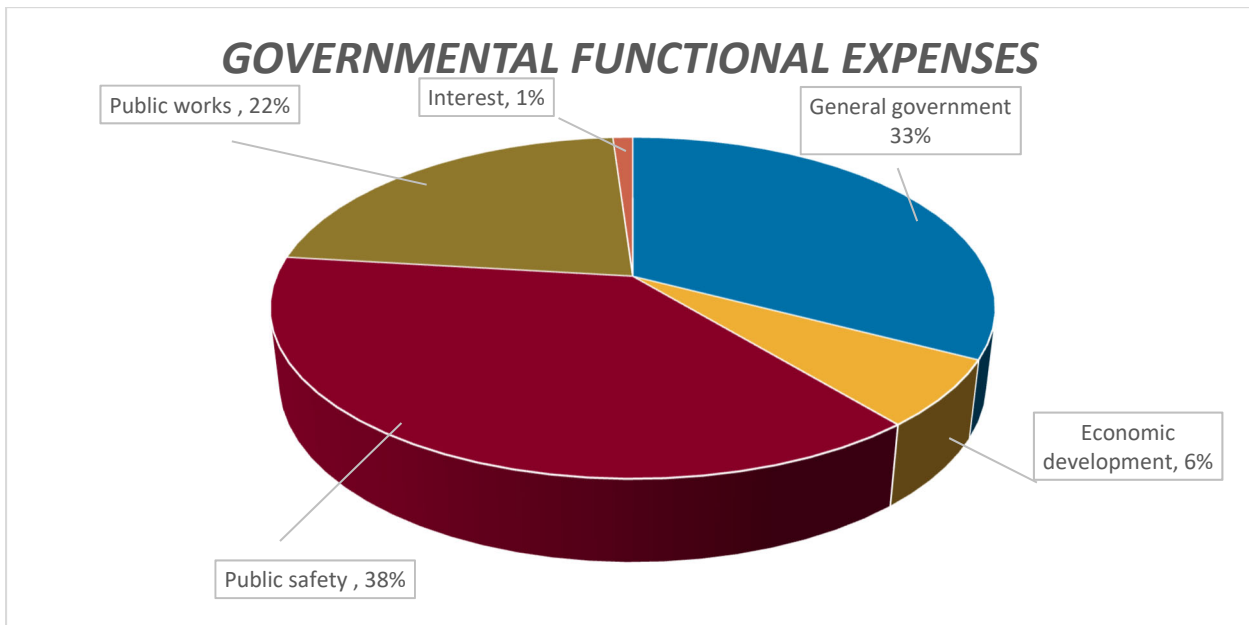
In 2023, investment earnings increased by 524% compared to 2022, due to the increase in interest rates ranging from 0.15% - 2.7% to 0.15% - 5.74%.

In 2023, public safety increased by 21% compared to 2022, due to increases in employee salaries and benefits.

Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's 2023 activities.



For the fiscal year ended September 30, 2023, revenue from governmental activities totaled \$10,449,869 primarily from property and other taxes.



For the fiscal year ended September 30, 2023, expenses from governmental activities totaled \$10,112,845, the largest portion of which relates to General government (33%).

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, 2023, the City has restricted fund balances totaling \$471,264 for debt service fund.

As of September 30, 2023, the City has committed fund balances totaling \$15,016 for library expansion, \$102,200 for budget reserve, and \$2,996,047 for the special revenue fund.

As of September 30, 2023, the City's has unassigned fund balances of \$3,490,365 for the general fund.

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 balance represents 40 percent of total General Fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was no changes in appropriations between the original and final budget of the General Fund regarding federal expenditures and capital assets.

Fund balance in the General Fund increased \$412,285 to \$3,617,390. If needed, the use of available fund balance will avoid the need to significantly raise taxes in the near future.

CAPITAL ASSET AND DEBT ACTIVITY

Capital Assets - The City's capital assets as of September 30, 2023, totaled to \$20,289,865 (net of accumulated depreciation). These capital assets includes land and improvements, buildings, machinery and equipment and infrastructure.

City of Santa Fe, Texas
Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ACTIVITY (Continued)

Capital Assets (Net of Accumulated Depreciation)

<i>September 30,</i>	2023	2022
Land	\$ 796,297	\$ 546,297
Buildings	2,896,700	3,013,497
Machinery and equipment	1,906,228	1,928,598
Infrastructure	9,040,221	9,487,661
Infrastructure improvements	1,804,700	2,043,510
Police canine	2,570	3,856
Construction in progress	3,843,149	3,246,268
Total	\$ 20,289,865	\$ 20,269,687

Capital assets net increase is mainly attributable to construction in progress, and acquisitions of land, equipment and vehicles exceeding annual depreciation expense. Additional information on the City's capital assets can be found in Note 2 starting on page 51 of this report.

Long-Term Debt and Liabilities

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

General Obligation and Certificates of Obligation Bonds and Liabilities

<i>September 30,</i>	2023	2022
General obligation bond	\$ 2,090,000	\$ 2,255,000
Certificates of obligation	590,000	650,000
Bond premium	90,504	100,561
Financed purchases	307,106	515,838
Compensated absences	841,242	705,534
Net pension liability	5,615,741	3,296,118
Total	\$ 9,534,593	\$ 7,523,051

Additional information on the City's long-term debt can be found in Note 2 starting on page 52 of this report.

City of Santa Fe, Texas Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City of Santa Fe, allocates its resources, and establishes its priorities.

In considering the budget for the 2023/24 fiscal year, the City Council and management considered the following factors:

- The City's largest source of revenue in the general fund is the ad valorem taxes. The City's 2022 new revenue rate of \$0.238602 per \$100 valuation was adopted with a short fall, therefore any additional property tax revenue is based on the \$65,968,550 assessed value of new improvements. The tax rate consists of the maintenance and operations (M&O) rate of \$0.210437 and the debt service (I&S) rate of \$0.028165. The taxable value for 2023 is \$1,474,954,241 an increase of \$138,049,373 from last year's value of \$1,336,904,868, consisting mainly of increases in land values.
- The City's second largest source of revenue in the general fund is sales tax. The city projects a healthy growth in sales tax collections from the prior year budget of \$2,757,250, to \$2,892,850, approximately 5 percent.
- Other significant general revenues are development permit fees and municipal court fines. The budget projection for license and permit fees is expected to increase about 20 percent from \$399,275 to \$476,900. Municipal court fine budgeted revenues are expected to be expected to decrease about 3 percent from \$535,004 to \$522,530. Improved technology, collection programs, and credit card services have been implemented in an effort to improve long-term collections.

The City's financial management policies set the guideline to maintain the fund balance and net assets of the city at levels sufficient to protect the creditworthiness as well as its financial position from unforeseeable emergencies.

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: Rudy Zepeda, Finance Director, P. O. Box 950, Santa Fe, Texas 77510.

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CITY OF SANTA FE, TEXAS
Basic Financial Statements

City of Santa Fe, Texas
Statement of Net Position

September 30,	2023
Assets	
Cash and cash equivalents	\$ 1,016,197
Investments	7,463,994
Receivables, net	
Property tax	186,003
Intergovernmental	371,854
Sales tax, franchise tax and other	1,242,191
Prepaid items and other assets	9,809
Restricted cash and cash equivalents	300,264
Restricted investments	233,166
Capital assets	
Non-depreciable	4,639,446
Depreciable, net	15,650,419
Total assets	31,113,343
Deferred Outflows of Resources	
Deferred outflows - pension plan	1,893,437
Liabilities	
Accounts payable	728,337
Accrued interest payable	8,245
Refundable deposit	119,223
Unearned revenue	2,711,353
Noncurrent liabilities	
Due within one year	826,538
Due in more than one year	8,708,055
Total liabilities	13,101,751
Net Position	
Net investment in capital assets	17,212,251
Restricted for:	
Debt service	471,264
Unrestricted	2,221,514
Total net position	\$ 19,905,029

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, 2023		Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Functions / Programs	Expenses	Charges For Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
General government	\$ 3,344,975	\$ 494,870	\$ 1,151,626	\$ 486,618	\$ (1,211,861)
Economic development	648,369	-	-	-	(648,369)
Public safety	3,755,836	520,405	-	-	(3,235,431)
Public works	2,258,264	5,902	-	-	(2,252,362)
Interest on long-term debt	105,401	-	-	-	(105,401)
Total governmental activities	\$ 10,112,845	\$ 1,021,177	\$ 1,151,626	\$ 486,618	(7,453,424)
General Revenues					
Sales taxes					3,825,252
Property taxes, penalties and interest					2,905,897
Franchise fees					753,266
Miscellaneous					27,340
Investment earnings					278,693
Total general revenues					7,790,448
Change in net position					337,024
Net Position - beginning of year					19,568,005
Net Position - end of year				\$	19,905,029

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

City of Santa Fe, Texas
Balance Sheet – Governmental Funds

September 30, 2023	General	Debt Service	<u>Special Revenue Fund</u> Santa Fe Economic Development Corporation	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 743,988	\$ 285,248	\$ 272,209	\$ 1,301,445
Investments	4,993,859	233,166	2,470,135	7,697,160
Receivables, net				
Property tax	168,642	17,361	-	186,003
Intergovernmental	118,151	-	253,703	371,854
Sales tax, franchise tax and other	1,236,213	5,978	-	1,242,191
Prepaid items and other assets	9,809	-	-	9,809
Restricted cash and cash equivalents	15,016	-	-	15,016
Total assets	\$ 7,285,678	\$ 541,753	\$ 2,996,047	\$ 10,823,478
Liabilities				
Accounts payable and accrued liabilities	\$ 681,287	\$ 47,050	\$ -	\$ 728,337
Refundable deposits	119,223	-	-	119,223
Unearned revenue	2,705,375	5,978	-	2,711,353
Total liabilities	3,505,885	53,028	-	3,558,913
Deferred Inflows of Resources				
Unavailable revenue - property taxes	162,403	17,461	-	179,864
Total deferred inflows of resources	162,403	17,461	-	179,864
Fund Balances				
Nonspendable				
Prepaid items and other assets	9,809	-	-	9,809
Restricted for:				
Debt service	-	471,264	-	471,264
Committed	117,216	-	2,996,047	3,113,263
Unassigned	3,490,365	-	-	3,490,365
Total fund balances	3,617,390	471,264	2,996,047	7,084,701
Total liabilities, deferred inflows of resources and fund balances	\$ 7,285,678	\$ 541,753	\$ 2,996,047	\$ 10,823,478

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

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

September 30, 2023

Total fund balances - governmental funds	\$	7,084,701
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		20,289,865
Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		1,893,437
Some revenues will not be collected within 60 days after the close of the City's fiscal year-end and are not considered as "available" revenue in the governmental funds and, therefore, are reported as deferred inflows of resources. In the statement of net position, which is on the full accrual basis, the revenue is fully recognized in the statement of activities.		179,864
Long-term liabilities, including accrued interest, financed purchases, net pension liability, and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.		(9,542,838)
Net position of governmental activities	\$	19,905,029

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, 2023	General	Debt Service	Special Revenue Funds Santa Fe Economic Development Corporation	Total Governmental Funds
Revenues				
Property taxes	\$ 2,511,671	\$ 335,076	\$ -	\$ 2,846,747
Penalties and interest	33,257	3,935	-	37,192
Sales taxes	2,870,534	-	954,718	3,825,252
Franchise taxes	753,266	-	-	753,266
Licenses and permits	443,163	-	-	443,163
Fines and forfeitures	597,875	-	-	597,875
Investment earnings	138,714	12,785	127,195	278,694
Intergovernmental	1,151,626	-	-	1,151,626
Contributions	486,618	-	-	486,618
Other	84,945	-	-	84,945
Total revenues	9,071,669	351,796	1,081,913	10,505,378
Expenditures				
Current:				
General government	3,502,774	-	-	3,502,774
Economic development	-	-	648,369	648,369
Public safety	3,221,526	-	-	3,221,526
Public works	1,030,337	-	-	1,030,337
Capital Outlay	682,807	-	424,436	1,107,243
Debt service:				
Principal	208,732	225,000	-	433,732
Interest and fiscal charges	13,208	102,177	-	115,385
Total expenditures	8,659,384	327,177	1,072,805	10,059,366
Excess (deficiency) of revenues over (under) expenditures	412,285	24,619	9,108	446,012
Net change in fund balances	412,285	24,619	9,108	446,012
Fund Balances - beginning of year	3,205,105	446,645	2,986,939	6,638,689
Fund Balances - ending of year	\$ 3,617,390	\$ 471,264	\$ 2,996,047	\$ 7,084,701

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,	2023
Net change in fund balances - total governmental funds	\$ 446,012
Amounts reported for governmental activities in the statement of activities are different because:	
Repayments of debt principal and financed purchases are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	433,732
Some revenues will not be collected within 60 days after the close of the City's fiscal year-end are not considered as "available" revenue in the governmental funds. In the statement of net position, presented on the full accrual basis, these revenues are recognized.	(55,512)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.	20,178
Amortization of bond premium is included in the statement of activities; however, these credits are not included in the governmental funds.	10,057
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures in governmental funds until they have actually been paid. This year, compensated absences earned exceeded the amount used.	(135,708)
Changes to the net pension liability and the related deferred outflows of resources and deferred inflows of resources are reported as expenses in the statement of activities but do not require the use of current financial resources; therefore, are not reported as an expenditure in governmental funds.	(381,661)
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.	(74)
Change in net position of governmental activities	\$ 337,024

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Santa Fe, Texas (the City), 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.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member governing council (the City Council). The accompanying financial statements present the City. The blended component unit is, in substance, part of the primary government's operations even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as funds of the primary government. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

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 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 special revenue fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under financed purchases are reported as other financing sources.

Note1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Government-Wide Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column.

The City reports the following 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. The City has elected to treat this fund as a major governmental fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (continued)

Special Revenue Fund

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.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated.

Budgetary Information

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and the Special Revenue Fund – Santa Fe Economic Development Corporation. 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 City 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (continued)

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 City 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.

Excess of Expenditures over Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations in general government – civil services expenses by \$7,414, general government – parks by \$6,806, general government – utilities by \$39,788, public safety – police by \$29,483, public safety – fire marshall by \$4,278, and capital outlay by \$43,766 in the general fund. The excess expenditures were covered by available fund balance in the fund.

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

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 35% 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.

Restricted Cash and Cash Equivalents

The City holds certain cash balances which are restricted for library use and debt service.

Investments

The investment policy of the City sets forth specific investment guidelines to ensure 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 amortized cost 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Investments (continued)

The City follows GASB Codification 3100, *Fair Value Measurements*, 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.

The City holds certain investment balances which are restricted for debt service.

Unearned revenue

Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Interfund Activity and Transactions

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. As of September 30, 2023, the City has restricted assets of \$468,343 for debt service.

City of Santa Fe, Texas
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items), are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 that meet specific capitalization thresholds.

The City's capital assets, except land and construction in progress, 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

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 assets 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. The deferred outflows related to pension are an aggregate of items related to the pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pension will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources (continued)

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 assets that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The City has one item that qualifies for reporting in this category - deferred inflows related to pension. The deferred inflows related to pension are an aggregate of items related to the pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Compensated Absences (continued)

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental 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.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) Plan 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.

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Categories and Classification of Net Position and Fund Balance (continued)

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classifications and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Net Position and Fund Balance (continued)

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Only the City Council may assign amounts for specific purposes. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

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

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, fair value of investments, depreciation of property and equipment, pension liability and compensated absences.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 24, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. There were no significant impacts of implementing this Statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

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

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosure*. This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state and local governments, and is effective for fiscal years beginning after June 15, 2024.

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Deposits

Deposits were with a 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, 2023:

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, 2023, 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, 2023, the City's carrying amount of deposits was \$1,044,252 and the bank balance was \$1,059,509. The total bank balance is covered by federal depository insurance or is 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, 2023, the Corporation's carrying amount of deposits was \$272,209 and the bank balance was \$430,388. The total bank balance is covered by federal depository insurance or is 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 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Deposits (continued)

At September 30, 2023, the carrying value of cash and cash equivalents (which approximated fair value) consisted of:

September 30, 2023	City Funds	Santa Fe Economic Development Corporation	Total
Demand and time deposits	\$ 1,043,952	\$ 13,201	\$ 1,057,153
Money market account	-	259,008	259,008
Petty cash	300	-	300
Total cash and cash equivalents	1,044,252	272,209	1,316,461
Less restricted cash and cash equivalents	(300,264)	-	(300,264)
Unrestricted cash and cash equivalents	\$ 743,988	\$ 272,209	\$ 1,016,197

Investments

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 35% 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, 2023, all of the City's investments were invested for a period of one year or less. It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA by a nationally recognized rating agency.

Investment pools must be continuously rated no lower than AAA or 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.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Investments (continued)

The City has the following investments as of September 30, 2023:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 2,980,632	1	57.02%	AAAm
Certificates of deposit	984,000	364	18.83%	N/A
Money market mutual funds	1,262,393	1	24.15%	not rated
Total	\$ 5,227,025		100.00%	

The City has certificates of deposit acquired from a financial institution totaling \$984,000 with interest rates ranging from 1.62% to 5.74%. The certificates of deposit mature at dates ranging from October 2023 to September 2024 and the certificates of deposit are 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, 2023:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 2,020,482	1	81.80%	AAAm
Certificates of deposit	449,653	720	18.20%	N/A
Total	\$ 2,470,135		100.00%	

The Corporation's certificates of deposit are maintained with two financial institutions in amounts ranging from \$200,000 to \$235,813 with interest rates ranging from 4.1% to 4.8%. The certificates of deposit mature at dates ranging from November 2024 to February 2025 and the certificates of deposit are insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration up to \$250,000, including interest.

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.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Investments (continued)

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 \$841,244 and \$65,936, respectively, invested in TexPool as of September 30, 2023. 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.

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Investments (continued)

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 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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 an 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 \$2,139,388 and \$1,954,546, respectively, invested in LOGIC I as of September 30, 2023. 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.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Investments (continued)

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.

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, 2023, the City had no concentration of credit risk.

City of Santa Fe, Texas
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Investments (continued)

As of September 30, 2023, 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.

Receivables

Receivables as of September 30, 2023 are as follows:

	<u>Governmental Activities</u>			<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Special Revenue Funds</u> <u>Santa Fe Economic</u> <u>Development</u> <u>Corporation</u>	
September 30, 2023				
Property tax	\$ 202,390	\$ 19,564	\$ -	\$ 221,954
Intergovernmental	118,151	-	253,703	371,854
Sales tax, franchise tax and other	2,766,801	6,789	-	2,773,590
	3,087,342	26,353	253,703	3,367,398
Less allowance for uncollectibles	(1,564,336)	(3,014)	-	(1,567,350)
Totals	\$ 1,523,006	\$ 23,339	\$ 253,703	\$ 1,800,048

City of Santa Fe, Texas
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 546,297	\$ 250,000	\$ -	\$ 796,297
Construction in progress	3,246,268	596,881	-	3,843,149
Total capital assets, not being depreciated	3,792,565	846,881	-	4,639,446
Capital assets, being depreciated:				
Buildings	4,021,323	-	-	4,021,323
Buildings improvements	326,493	-	-	326,493
Computer	304,075	-	-	304,075
Equipment	1,888,469	229,555	-	2,118,024
Furniture and fixtures	53,445	-	-	53,445
Improvements (other than building)	121,143	-	-	121,143
Infrastructure	26,845,854	-	-	26,845,854
Infrastructure improvements	6,284,176	-	-	6,284,176
Radios	214,599	-	-	214,599
Police canine	9,000	-	-	9,000
Vehicles	1,692,322	30,807	-	1,723,129
Total capital assets, being depreciated	41,760,899	260,362	-	42,021,261
Less accumulated depreciation for:				
Buildings	(1,137,291)	(100,533)	-	(1,237,824)
Buildings improvements	(197,028)	(16,264)	-	(213,292)
Computer	(278,054)	(11,203)	-	(289,257)
Equipment	(1,148,365)	(125,650)	-	(1,274,015)
Furniture and fixtures	(45,571)	(3,884)	-	(49,455)
Improvements (other than building)	(99,703)	(4,579)	-	(104,282)
Infrastructure	(17,358,193)	(447,440)	-	(17,805,633)
Infrastructure improvements	(4,240,666)	(238,810)	-	(4,479,476)
Radios	(206,141)	(1,885)	-	(208,026)
Police canine	(5,144)	(1,286)	-	(6,430)
Vehicles	(567,621)	(135,531)	-	(703,152)
Total accumulated depreciation	(25,283,777)	(1,087,065)	-	(26,370,842)
Total capital assets, being depreciated, net	16,477,122	(826,703)	-	15,650,419
Governmental activities capital assets, net	\$ 20,269,687	\$ 20,178	\$ -	\$ 20,289,865

City of Santa Fe, Texas
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Construction in progress of \$3,670,704 as of September 30, 2023 is 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.

Construction in progress of \$172,445 as of September 30, 2023 is related Ave P Street project being conducted by the City.

Depreciation and amortization expense was allocated to the governmental functions in the statement of activities as follows:

For the year ended September 30,	2023
General government	\$ 28,096
Community service	3,644
Police/judicial	226,218
Library	10,226
Streets	800,300
Community center	7,786
Parks	10,795
Total depreciation expense - governmental activities	\$ 1,087,065

Long-Term Debt and Liabilities

General Obligation and Certificates of Obligation Bonds

The General Obligation Bonds, Series 2013, were issued on August 13, 2013, and contained an original principal balance of \$3,535,000 with an interest rate range of 3.0% to 5.0%. Principal and interest are payable on March 1st and interest only payment on September 1st of each year. At September 30, 2023, the City has an outstanding principal of \$2,090,000.

The Combination Tax and Limited Pledge Revenue Certificates of Obligation Bonds, Series 2022, were issued on February 16, 2022, and contained an original principal balance of \$650,000 with an interest rate of 0.99%. Principal and interest are payable on March 1st and interest only payment on September 1st of each year. At September 30, 2023, the City has an outstanding principal of \$590,000.

City of Santa Fe, Texas
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

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

Debt service requirements on long-term debt at September 30, 2023 is as follows:

Governmental Activities - Bonds				
Fiscal Year Ending September 30,	Principal	Interest	Total	
2024	\$ 235,000	\$ 95,219	\$	330,219
2025	245,000	87,576		332,576
2026	250,000	79,632		329,632
2027	260,000	71,389		331,389
2028	265,000	62,845		327,845
2029-2033	1,425,000	155,021		1,580,021
Total	\$ 2,680,000	\$ 551,682	\$	3,231,682

Bond Premium

A summary of changes in the unamortized bond premium for the year ended September 30, 2023 was as follows:

	Original Premium	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Governmental Activities:					
General obligation					
bonds, Series 2013	\$ 201,130	\$ 100,561	\$ -	\$ 10,057	\$ 90,504

Financed Purchases

On June 17, 2020, the City entered into a financing agreement to purchase equipment in the amount of \$376,612 with a fixed interest rate of 1.99%. The equipment was delivered to the City and placed in service in June 2020. The agreement requires annual payments of \$78,846, which includes interest, through the maturity date of October 15, 2024. This finance agreement is secured by the equipment.

City of Santa Fe, Texas
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Financed Purchases (continued)

On April 15, 2022, the City entered into a financing agreement to purchase equipment in the amount of \$256,836 with a fixed interest rate of 2.89%. The equipment was delivered to the City and placed in service in April 2022. The agreement requires annual payments of \$54,332, which includes interest, through the maturity date of April 15, 2026. This finance agreement is secured by the equipment.

As September 30, 2023, the future minimum payments on the financed purchases are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2024	\$ 133,178
2025	133,178
2026	54,332
Total minimum payments	320,688
Less: amount representing interest	(13,582)
Present value of minimum finance payments	\$ 307,106

Changes in Long-Term Liabilities

Long-term debt activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct borrowings					
General obligation	\$ 2,255,000	\$ -	\$ 165,000	\$ 2,090,000	\$ 170,000
Certificates of obligation	650,000	-	60,000	590,000	65,000
Bond premium	100,561	-	10,057	90,504	-
Total direct borrowings	3,005,561	-	235,057	2,770,504	235,000
Financed purchases	515,838	-	208,732	307,106	125,672
Net pension liability	3,296,118	3,269,819	950,196	5,615,741	-
Compensated absences	705,534	644,788	509,080	841,242	465,866
Total long-term liabilities	\$ 7,523,051	\$ 3,914,607	\$ 1,903,065	\$ 9,534,593	\$ 826,538

Compensated absences and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deferred Inflows of Resources – Government Funds

At September 30, 2023, deferred inflows of resources in the General Fund consisted of earned revenue but unavailable – property taxes of \$162,403.

At September 30, 2023, deferred inflows of resources in the Debt Service Fund consisted of earned revenue but unavailable – property taxes of \$17,461.

Note 3: 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 annual comprehensive financial report 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.

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

In July 2018, TMRS determined that the employees of GCWCID are not eligible to participate in TMRS. In December 2020, the City received the TMRS' corrective actions to resolve this matter. TMRS has taken the following corrective actions:

- TMRS stopped accepting contributions for the accounts of the affected employees after June 2018. The final credits to the affected employees' accounts based on compensation through June 2018 were made no later than July 31, 2018.
- Interest credits and certain other benefit accruals and adjustments after July 31, 2018 that are not based on compensation after June 2018 (such as updated service credit), will continue in accordance with the City's plan terms.
- All amounts in the affected employees' accounts will remain with TMRS and will be distributed to the affected employees in accordance with the TMRS plan and in the same manner as other TMRS members. However, TMRS will require a letter from an authorized GCWCID representative certifying that there has been a bona fide termination of employment between GCWCID and the affected employee for the affected employee to apply for a refund or retirement.
- Affected employees who were in pay status as of July 31, 2018, will continue to receive their periodic annuity payments and any applicable future annuity increases (such as cost-of-living adjustments) under the terms of the City's plan design.

While no new additions to member accounts of the affected employees will be made based on compensation for services performed after June 2018, because TMRS is a defined benefit plan, the City and/or GCWCID was required to make additional contributions to fund the benefits of the affected employees. TMRS sent a letter to each of the active employees to advise them of the corrective action plan and how it affects them individually. Affected employees other than the active employees receive periodic communications from TMRS depending on their individual status (e.g., members receive member annual statements; retirees receive retiree annual 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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	60
<u>Active employees</u>	<u>62</u>
<u>Total</u>	<u>169</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 17.82% and 18.38% of covered payroll in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$688,301, and were equal to the required contribution.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	3.50% to 11.5%, including inflation	
Investment rate of return	6.75%	

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2109, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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, GRS 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	100.00%	

City of Santa Fe, Texas
Notes to Financial Statements

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate

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.

Changes in net pension liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2021	\$ 18,438,168	\$ 15,142,050	\$ 3,296,118
Changes for the year:			
Service cost	599,503	-	599,503
Interest	1,236,727	-	1,236,727
Difference between expected and actual experience	319,589	-	319,589
Changes of assumptions	-	-	-
Contributions - employer	-	674,015	(674,015)
Contributions - employee	-	264,765	(264,765)
Net investment income	-	(1,104,435)	1,104,435
Benefit payments, including refunds of employee contributions	(832,064)	(832,064)	-
Administrative expense	-	(9,565)	9,565
Other changes	-	11,416	(11,416)
Net changes	1,323,755	(995,868)	2,319,623
Balance at December 31, 2022	\$ 19,761,923	\$ 14,146,182	\$ 5,615,741

City of Santa Fe, Texas
Notes to Financial Statements

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

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	\$ 8,539,097	\$ 5,615,741	\$ 3,250,310

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.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$1,090,772. At September 30, 2023, 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	\$ 391,824	\$ -
Difference between projected and actual investment earnings	979,209	-
Contribution subsequent to the measurement date	522,404	-
Total	\$ 1,893,437	\$ -

City of Santa Fe, Texas
Notes to Financial Statements

Note 3: DEFINED BENEFIT PENSION PLAN (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$522,404 will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,		
2024	\$	293,883
2025		350,842
2026		301,005
2027		425,303
Total	\$	1,371,033

Note 4: 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, Texas'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.

Note 4: RISK MANAGEMENT (Continued)

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.

United Healthcare provides the City's medical and long-term disability group insurance coverage for eligible employees and their dependents. The Standard provides the City's dental and vision 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 5: COMMITMENTS AND CONTINGENCIES

Grants

The City receives financial assistance from federal, state, and local government agencies in the form of grants. The disbursement 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, 2023.

Litigation

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Note 5: COMMITMENTS AND CONTINGENCIES (Continued)

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

The Corporation's 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. Sander Engineering Corporation is the approved engineer on the project and will handle all bidding requirements and procedures related to the construction contractor.

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, 2023, the project is estimated to cost between \$4 million and \$4.1 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 2023 fiscal year amounted to \$424,436 and cumulative expenditures are \$3,670,704 as of September 30, 2023. The remaining project costs have not been recorded in the 2022-23 year financial statements but will be incurred and reported in future years as the project continues.

Construction commitments

The City has active or awarded construction projects with various contractors for construction projects within the City. The remaining commitment on these projects totaled \$223,321 at September 30, 2023.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

City of Santa Fe, Texas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual - General Fund

For the year ended September 30, 2023	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property taxes	\$ 2,513,176	\$ 2,513,176	\$ 2,511,671	\$ (1,505)
Penalties and interest	30,000	30,000	33,257	3,257
Sales taxes	2,757,250	2,757,250	2,870,534	113,284
Franchise taxes	770,500	770,500	753,266	(17,234)
License and permits	399,275	399,275	443,163	43,888
Fines and forfeitures	535,004	535,004	597,875	62,871
Investment earnings	93,090	93,090	138,714	45,624
Intergovernmental	1,245,350	1,245,350	1,151,626	(93,724)
Contributions	482,959	482,959	486,618	3,659
Other	128,920	128,920	84,945	(43,975)
Total revenue	8,955,524	8,955,524	9,071,669	116,145
Expenditures				
Current:				
General government	3,831,791	3,831,791	3,502,774	329,017
Public safety	3,187,765	3,187,765	3,221,526	(33,761)
Public works	1,064,372	1,064,372	1,030,337	34,035
Capital Outlay	639,041	639,041	682,807	(43,766)
Debt Service:				
Principal and interest	252,128	252,128	221,940	30,188
Total expenditures	8,975,097	8,975,097	8,659,384	315,713
Excess (deficiency) of revenues over (under) expenditures	(19,573)	(19,573)	412,285	431,858
Net change in fund balance	(19,573)	(19,573)	412,285	431,858
Fund balance - beginning	1,716,383	1,516,570	3,205,105	1,688,535
Fund balance - ending	\$ 1,696,810	\$ 1,496,997	\$ 3,617,390	\$ 2,120,393

(Continued)

City of Santa Fe, Texas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual - General Fund (Continued)

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. 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 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.

City of Santa Fe, Texas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Special Revenue Fund –
Santa Fe Economic Development Corporation

For the year ended September 30, 2023	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget Positive (Negative)
Revenues				
Sales taxes	\$ 954,500	\$ 954,500	\$ 954,718	\$ 218
Investment earnings	107,000	107,000	127,195	20,195
Total Revenue	1,061,500	1,061,500	1,081,913	20,413
Expenditures				
Current:				
Economic development	697,538	697,538	648,369	49,169
Capital Outlay	760,000	760,000	424,436	335,564
Total Expenditures	1,457,538	1,457,538	1,072,805	384,733
Excess (deficiency) of revenues over (under) expenditures	(396,038)	(396,038)	9,108	405,146
Net change in fund balance	(396,038)	(396,038)	9,108	405,146
Fund balance - beginning	(4,808,862)	(4,886,862)	2,986,939	7,873,801
Fund balance - ending	\$ (5,204,900)	\$ (5,282,900)	\$ 2,996,047	\$ 8,278,947

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City of Santa Fe, Texas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Special Revenue Fund –
Santa Fe Economic Development Corporation (Continued)

Budget and Budgetary Accounting

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.

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 the City of Santa Fe Section 4B Economic Development Corporation, for which an annual operating budget is legally adopted.

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

As of and for the years ended September 30,	Last Ten Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 599,503	\$ 576,370	\$ 541,935	\$ 453,302	\$ 422,506	\$ 445,581	\$ 434,657	\$ 426,311	\$ 385,401	\$ N/A
Interest (on the total pension liability)	1,236,727	1,141,038	1,069,043	908,862	865,520	825,529	771,006	750,133	708,090	N/A
Changes of benefit terms	-	-	1,248,795	-	-	-	-	-	-	N/A
Difference between expected and actual experience	319,589	435,496	66,409	226,678	(86,465)	(143,393)	(44,684)	(264,874)	(248,483)	N/A
Change of assumptions	-	-	-	32,748	-	-	-	82,954	-	N/A
Benefit payments, including refunds of employee contributions	(832,064)	(661,634)	(594,394)	(488,898)	(660,820)	(386,630)	(330,730)	(254,426)	(275,261)	N/A
Net change in total pension liability	1,323,755	1,491,270	2,331,788	1,132,692	540,741	741,087	830,249	740,098	569,747	N/A
Total pension liability - beginning	18,438,168	16,946,898	14,615,110	13,482,418	12,941,677	12,200,590	11,370,341	10,630,243	10,060,496	N/A
Total pension liability - ending (a)	\$ 19,761,923	\$ 18,438,168	\$ 16,946,898	\$ 14,615,110	\$ 13,482,418	\$ 12,941,677	\$ 12,200,590	\$ 11,370,341	\$ 10,630,243	\$ N/A
Plan fiduciary net position										
Contribution - employer	\$ 674,015	\$ 626,427	\$ 398,202	\$ 386,453	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A
Contribution - employee	264,765	253,908	235,623	232,804	215,407	225,529	218,938	217,395	207,581	N/A
Net investment income	(1,104,435)	1,721,582	929,322	1,623,903	(326,871)	1,301,113	577,467	12,077	426,592	N/A
Benefit payments, including refunds of employee contributions	(832,064)	(661,634)	(594,394)	(488,898)	(660,820)	(386,630)	(330,730)	(254,426)	(275,261)	N/A
Administrative expense	(9,565)	(7,968)	(6,015)	(9,174)	(6,316)	(6,743)	(6,522)	(7,357)	(4,453)	N/A
Other	11,416	55	(236)	(275)	(330)	(342)	(352)	(363)	(366)	N/A
Net change in plan fiduciary net position	(995,868)	1,932,370	962,502	1,744,813	(407,507)	1,521,658	843,820	358,948	730,408	N/A
Plan fiduciary net position - beginning	15,142,050	13,209,680	12,247,178	10,502,365	10,909,872	9,388,214	8,544,394	8,185,446	7,455,038	N/A
Plan fiduciary net position - ending (b)	\$ 14,146,182	\$ 15,142,050	\$ 13,209,680	\$ 12,247,178	\$ 10,502,365	\$ 10,909,872	\$ 9,388,214	\$ 8,544,394	\$ 8,185,446	\$ N/A
Net Pension Liability - ending (a) - (b)	\$ 5,615,741	\$ 3,296,118	\$ 3,737,218	\$ 2,367,932	\$ 2,980,053	\$ 2,031,805	\$ 2,812,376	\$ 2,825,947	\$ 2,444,797	\$ N/A
Plan fiduciary net position as a percentage of total pension liability	71.58%	82.12%	77.95%	83.80%	77.90%	84.30%	76.95%	75.15%	77.00%	N/A
Covered employee payroll	\$ 3,782,356	\$ 3,627,252	\$ 3,366,039	\$ 3,325,768	\$ 3,077,245	\$ 3,221,843	\$ 3,124,784	\$ 3,104,958	2,965,437	\$ N/A
Net position liability as a percentage of covered employee payroll	148.47%	90.87%	111.03%	71.20%	96.84%	63.06%	90.00%	91.01%	82.44%	N/A

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

City of Santa Fe, Texas
Required Supplementary Information
Schedule of Employer Contributions

For the years ended September 30,	Last Ten Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 674,015	\$ 626,427	\$ 398,202	\$ 386,453	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A
Contributions in relation to the actuarially determined contributions	\$ 674,015	\$ 626,427	\$ 398,202	\$ 386,453	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A
Contribution deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A
Covered employee payroll	\$ 3,782,356	\$ 3,627,252	\$ 3,366,039	\$ 3,325,768	\$ 3,077,245	\$ 3,221,843	\$ 3,124,784	\$ 3,104,958	\$ 2,965,437	\$ N/A
Contribution as a percentage of covered employee payroll	17.82%	17.27%	11.83%	11.62%	12.07%	12.07%	12.32%	12.61%	N/A	N/A

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

City of Santa Fe, Texas
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	23 years
Asset valuation method	10 years smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary increases	3.50 to 11.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	There were no benefit changes during the year.

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OTHER SUPPLEMENTARY INFORMATION

City of Santa Fe, Texas
Other Supplementary Information
Schedule of Temporary Investments

City of Santa Fe, Texas

September 30, 2023

Funds	Identification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2023	Accrued Interest
General Fund					
TexPool	840500001	4.54%	N/A	\$ 608,078	\$ -
Logic	2017295001	4.77%	N/A	2,139,388	-
Texas First Bank MM	10084929	0.15%	N/A	1,262,393	-
Certificates of Deposit	Multiple	1.62% - 5.74%	Varies	984,000	-
Total General Fund				4,993,859	-
Debt Service Fund					
TexPool	840500002	4.54%	N/A	233,166	-
Total				\$ 5,227,025	\$ -

City of Santa Fe Section 4B Economic Development Corporation

September 30, 2023

Funds	Identification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2023	Accrued Interest
Santa Fe Economic Development Corporation					
TexPool	788900001	4.54%	N/A	\$ 65,936	\$ -
Logic	98412001	4.77%	N/A	1,954,546	-
Certificates of Deposit	Multiple	4.10%-4.80%	Varies	449,653	-
Total				\$ 2,470,135	\$ -

City of Santa Fe, Texas
Other Supplementary Information
Analysis of Taxes Levied and Receivable

	General Fund	Debt Service Fund	Total
Taxes receivable - October 1, 2022	\$ 211,843	\$ 22,984	\$ 234,827
Additions and corrections - prior years	(25,226)	(3,386)	(28,612)
Adjusted taxes receivable - October 1, 2022	186,617	19,598	206,215
Original tax roll 2022	2,557,935	342,355	2,900,290
Additions and corrections - current year	(10,708)	(4,485)	(15,193)
Adjusted tax roll	2,547,227	337,870	2,885,097
Total to be accounted for	2,733,844	357,468	3,091,312
Tax collections			
Current year	2,478,325	331,700	2,810,025
Prior year	53,129	6,204	59,333
Total collections	2,531,454	337,904	2,869,358
Taxes receivable - September 30, 2023	\$ 202,390	\$ 19,564	\$ 221,954
Taxes receivable - by tax year			
2022	\$ 68,902	\$ 6,170	\$ 75,072
2021	26,993	3,408	30,401
2020	16,597	1,656	18,253
2019	13,732	1,816	15,548
2018	10,019	1,444	11,463
2017 - prior	66,147	5,070	71,217
Taxes receivable - September 30, 2023	\$ 202,390	\$ 19,564	\$ 221,954

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

<i>September 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 743,988	\$ 3,184,833
Investments	4,993,859	2,690,339
Receivables, net		
Property tax	168,642	181,416
Intergovernmental	118,151	159,306
Sales tax, franchise tax and other	1,236,213	934,563
Prepaid and other assets	9,809	3,224
Restricted cash and equivalents	15,016	3
Total Assets	\$ 7,285,678	\$ 7,153,684
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable and accrued liabilities	\$ 681,287	\$ 639,400
Refundable deposits	119,223	117,020
Unearned revenue	2,705,375	2,974,804
Total Liabilities	3,505,885	3,731,224
Deferred Inflows of Resources		
Unavailable revenue	162,403	217,355
Fund Balance		
Nonspendable		
Prepaid items and other assets	9,809	3,224
Committed	117,216	506,382
Unassigned	3,490,365	2,695,499
Total Fund Balances	3,617,390	3,205,105
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,285,678	\$ 7,153,684

City of Santa Fe, Texas
Other Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – General Fund
(Comparative Actual Balances)

For the years ended September 30,	2023			2022
	Final Budget	Actual	Variance	Actual
Revenue				
Property Tax	\$ 2,513,176	\$ 2,511,671	\$ (1,505)	\$ 2,544,152
Penalties and interest	30,000	33,257	3,257	31,799
Sales taxes	2,757,250	2,870,534	113,284	2,588,243
Franchise taxes	770,500	753,266	(17,234)	774,413
License and permits	399,275	443,163	43,888	362,722
Fines and forfeitures	535,004	597,875	62,871	344,179
Investment earnings	93,090	138,714	45,624	21,559
Intergovernmental	1,245,350	1,151,626	(93,724)	1,975,656
Contributions	482,959	486,618	3,659	311,434
Other	128,920	84,945	(43,975)	95,604
Total revenue	8,955,524	9,071,669	116,145	9,049,761
Expenditures				
General Government				
General administration	2,130,161	1,876,180	253,981	2,203,038
Tax	26,500	22,695	3,805	24,752
Community center	4,250	4,050	200	11,853
Library	333,475	315,989	17,486	330,221
Judicial	254,303	246,579	7,724	216,115
Civil service	13,225	20,639	(7,414)	15,366
Parks	137,253	144,059	(6,806)	136,185
Park board	44,100	25,624	18,476	12,207
Community services	560,858	479,505	81,353	557,195
Utilities	327,666	367,454	(39,788)	112,320
Total general government	3,831,791	3,502,774	329,017	3,619,252
Public safety				
Police	3,153,401	3,182,884	(29,483)	3,099,242
Fire Marshall	34,364	38,642	(4,278)	27,285
Total public safety	3,187,765	3,221,526	(33,761)	3,126,527
Public works				
Public safety	105,300	92,459	12,841	102,025
Streets	934,072	912,878	21,194	946,419
Utilities	25,000	25,000	-	-
Total public works	1,064,372	1,030,337	34,035	1,048,444
Capital Outlay	639,041	682,807	(43,766)	1,584,794
Debt Service:				
Principal	236,174	208,732	27,442	210,396
Bond issuance cost	-	-	-	41,000
Interest and fiscal charges	15,954	13,208	2,746	11,544
Total expenditures	8,975,097	8,659,384	315,713	9,641,957
Excess (deficiency) of revenues over (under) expenditures	(19,573)	412,285	431,858	(592,196)
Other financing sources				
Bonds issued	-	-	-	650,000
Financed purchases	-	-	-	256,836
Total other financing sources	-	-	-	906,836
Net change in fund balance	(19,573)	412,285	431,858	314,640
Fund Balance - beginning	1,516,570	3,205,105	1,688,535	2,890,465
Fund Balance - ending	\$ 1,496,997	\$ 3,617,390	\$ 2,120,393	\$ 3,205,105

City of Santa Fe, Texas
Other Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – Debt Service Fund
(Comparative Actual Balances)

For the years ended September 30,	2023				2022 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
Revenues					
Property taxes	\$ 335,976	\$ 335,976	\$ 335,076	\$ (900)	\$ 320,637
Penalties and interest	3,310	3,310	3,935	625	3,686
Investment earnings	8,000	8,000	12,785	4,785	1,933
Total revenue	347,286	347,286	351,796	4,510	326,256
Debt Service:					
Principal and interest	327,713	327,713	327,177	536	264,348
Total expenditures	327,713	327,713	327,177	536	264,348
Excess (deficiency) of revenues over (under) expenditures	19,573	19,573	24,619	5,046	61,908
Net change in fund balance	19,573	19,573	24,619	5,046	61,908
Fund balance - beginning	435,929	435,929	446,645	10,716	384,737
Fund balance - ending	\$ 455,502	\$ 455,502	\$ 471,264	\$ 15,762	\$ 446,645

City of Santa Fe, Texas
Other Supplementary Information
Schedule of Insurance Coverage

For the year ended September 30, 2023

<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	Assured Partners	Gov't.	None
<u>Surety Bonds</u>				
Crime Policy	\$ 50,000	Assured Partners	Gov't.	None
<u>Notary Bonds</u>				
	\$ 10,000 per bonded notary	State Farm Fire and Casualty Company	Gov't.	None
<u>Real and Personal Property</u>				
Property damage	As scheduled	Texas Municipal	Gov't	None
Mobile Equipment	As scheduled	League (IRP)		
Boiler & Machinery	\$ 100,000			
<u>Automobile Liability:</u>				
<u>Commercial</u>				
Property damage - each occurrence	\$ 1,000,000	Texas Municipal League (IRP)	Gov't.	None
<u>Cyber Liability:</u>				
Info Security and Privacy	\$ 1,000,000	Texas Municipal	Gov't.	None
Breach Response	\$ 100,000	League (IRP)		
<u>Worker's Compensation</u>				
	Statutory	Texas Municipal League (IRP)	Gov't.	None
<u>General Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None
<u>Errors & Omissions Liability</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None
<u>Windstorm and Hail</u>				
	\$ 5,000,000	Texas Municipal League / Victor O. Schinneren	Gov't.	None
<u>Law Enforcement Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None

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

Fiscal Year Ending	Total Requirements - All Long-Term Debt		
	Principal	Interest	Total
2024	\$ 360,672	\$ 102,725	\$ 463,397
2025	373,627	92,127	465,754
2026	302,807	81,157	383,964
2027	260,000	71,389	331,389
2028	265,000	62,845	327,845
2029	275,000	54,002	329,002
2030	285,000	43,658	328,658
2031	295,000	31,765	326,765
2032	315,000	19,222	334,222
2033	255,000	6,375	261,375
	<u>\$ 2,987,106</u>	<u>\$ 565,265</u>	<u>\$ 3,552,371</u>

Fiscal Year Ending	General Obligation Bonds, Series 2013		
	Principal	Interest	Total
2024	\$ 170,000	\$ 89,700	\$ 259,700
2025	180,000	82,700	262,700
2026	185,000	75,400	260,400
2027	195,000	67,800	262,800
2028	200,000	59,900	259,900
2029	210,000	51,700	261,700
2030	220,000	42,000	262,000
2031	230,000	30,750	260,750
2032	245,000	18,875	263,875
2033	255,000	6,375	261,375
	<u>\$ 2,090,000</u>	<u>\$ 525,200</u>	<u>\$ 2,615,200</u>

	Combination Tax and Limited Pledge Revenue Certificates of Obligation bonds, Series 2022		
	Principal	Interest	Total
2024	\$ 65,000	\$ 5,519	\$ 70,519
2025	65,000	4,876	69,876
2026	65,000	4,232	69,232
2027	65,000	3,589	68,589
2028	65,000	2,945	67,945
2029	65,000	2,302	67,302
2030	65,000	1,658	66,658
2031	65,000	1,015	66,015
2032	70,000	347	70,347
2033	-	-	-
	<u>\$ 590,000</u>	<u>\$ 26,483</u>	<u>\$ 616,483</u>

Fiscal Year Ending	Financed Purchase - Excavator		
	Principal	Interest	Total
2024	\$ 75,786	\$ 3,060	\$ 78,846
2025	77,301	1,545	78,846
	<u>\$ 153,087</u>	<u>\$ 4,605</u>	<u>\$ 157,692</u>

Fiscal Year Ending	Financed Purchase - 1 vehicle, 2 tractors		
	Principal	Interest	Total
2024	\$ 49,886	\$ 4,446	\$ 54,332
2025	51,326	3,006	54,332
2026	52,807	1,525	54,332
	<u>\$ 154,019</u>	<u>\$ 8,977</u>	<u>\$ 162,996</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Santa Fe’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	Page
<i>Financial Trends</i>	82-85
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	86-89
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	90-93
These schedules provide information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	94-96
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<i>Operating Information</i>	97-98
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

City of Santa Fe, Texas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net invested in capital assets	\$ 17,212,251	\$ 16,748,288	\$ 15,235,854	\$ 14,645,630	\$ 14,997,688	\$ 15,049,827	\$ 15,416,799	\$ 16,177,384	\$ 16,830,158	\$ 16,257,125
Restricted	471,264	446,645	384,737	388,999	333,423	272,060	216,790	176,765	140,051	104,978
Unrestricted	<u>2,221,514</u>	<u>2,373,072</u>	<u>2,784,967</u>	<u>4,310,686</u>	<u>3,378,382</u>	<u>2,559,361</u>	<u>1,491,552</u>	<u>772,943</u>	<u>1,470,015</u>	<u>4,372,122</u>
Total governmental activities net position	<u>\$ 19,905,029</u>	<u>\$ 19,568,005</u>	<u>\$ 18,405,558</u>	<u>\$ 19,345,315</u>	<u>\$ 18,709,493</u>	<u>\$ 17,881,248</u>	<u>\$ 17,125,141</u>	<u>\$ 17,127,092</u>	<u>\$ 18,440,224</u>	<u>\$ 20,734,225</u>

City of Santa Fe, Texas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses										
Governmental Activities:										
General Government	\$ 3,344,975	\$ 3,465,537	\$ 2,467,370	\$ 1,902,200	\$ 2,326,052	\$ 2,043,645	\$ 1,939,992	\$ 2,861,044	\$ 995,905	\$ 2,450,720
Economic Development	648,369	343,593	154,629	40,702	-	-	85,047	904,144	150,122	31,680
Public Safety	3,755,836	3,104,913	5,063,115	3,727,487	2,529,011	2,322,890	2,356,567	2,426,362	2,492,468	2,388,213
Public Works	2,258,264	2,015,700	2,157,264	1,805,378	1,805,482	1,723,114	1,700,064	1,805,393	2,541,303	686,935
Interest on long-term debt	105,401	105,435	104,756	110,006	110,338	116,795	122,732	117,323	147,369	146,596
Total Governmental Activities	<u>10,112,845</u>	<u>9,035,178</u>	<u>9,947,134</u>	<u>7,585,773</u>	<u>6,770,883</u>	<u>6,206,444</u>	<u>6,204,402</u>	<u>8,114,266</u>	<u>6,327,167</u>	<u>5,704,144</u>
Total Expenses	<u>\$ 10,112,845</u>	<u>\$ 9,035,178</u>	<u>\$ 9,947,134</u>	<u>\$ 7,585,773</u>	<u>\$ 6,770,883</u>	<u>\$ 6,206,444</u>	<u>\$ 6,204,402</u>	<u>\$ 8,114,266</u>	<u>\$ 6,327,167</u>	<u>\$ 5,704,144</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General Government	\$ 494,870	\$ 401,167	\$ 408,766	\$ 202,470	\$ 316,564	\$ 365,617	\$ 208,872	\$ 263,394	\$ 224,740	\$ 190,501
Public Safety	520,405	245,414	230,270	327,840	237,212	281,109	254,136	241,957	226,116	289,041
Public Works	5,902	1,406	3,898	4,760	3,822	3,740	2,693	1,100	875	-
Operating Grants and Contributions	1,151,626	1,989,244	1,492,977	1,241,573	516,224	28,122	12,130	19,766	23,720	53,699
Capital Grants and Contributions	486,618	297,846	44,923	18,302	307,816	398,864	272,273	1,397,616	656,526	333,400
Total Governmental Activities	<u>2,659,421</u>	<u>2,935,077</u>	<u>2,180,834</u>	<u>1,794,945</u>	<u>1,381,638</u>	<u>1,077,452</u>	<u>750,104</u>	<u>1,923,833</u>	<u>1,131,977</u>	<u>866,641</u>
Total Program Revenues	<u>\$ 2,659,421</u>	<u>\$ 2,935,077</u>	<u>\$ 2,180,834</u>	<u>\$ 1,794,945</u>	<u>\$ 1,381,638</u>	<u>\$ 1,077,452</u>	<u>\$ 750,104</u>	<u>\$ 1,923,833</u>	<u>\$ 1,131,977</u>	<u>\$ 866,641</u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$ (7,453,424)</u>	<u>\$ (6,100,101)</u>	<u>\$ (7,766,300)</u>	<u>\$ (5,790,828)</u>	<u>\$ (5,389,245)</u>	<u>\$ (5,128,992)</u>	<u>\$ (5,454,298)</u>	<u>\$ (6,190,433)</u>	<u>\$ (5,195,190)</u>	<u>\$ (4,837,503)</u>
Total Net (Expense)/Revenue	<u>\$ (7,453,424)</u>	<u>\$ (6,100,101)</u>	<u>\$ (7,766,300)</u>	<u>\$ (5,790,828)</u>	<u>\$ (5,389,245)</u>	<u>\$ (5,128,992)</u>	<u>\$ (5,454,298)</u>	<u>\$ (6,190,433)</u>	<u>\$ (5,195,190)</u>	<u>\$ (4,837,503)</u>
General Revenues										
Governmental Activities:										
Property taxes,										
Penalties and interest	\$ 2,905,897	\$ 2,949,509	\$ 2,786,863	\$ 2,702,771	\$ 2,559,926	\$ 2,494,825	\$ 2,262,198	\$ 2,040,677	\$ 2,093,233	\$ 2,052,513
Sales taxes	3,825,252	3,448,894	3,235,607	2,791,143	2,600,444	2,509,145	2,148,165	2,198,562	2,236,832	2,203,633
Franchise taxes	753,266	774,413	777,849	769,974	797,268	781,519	783,344	794,525	745,822	735,418
Miscellaneous	27,339	45,038	10,865	78,027	14,383	32,897	8,459	62,991	16,200	12,378
Investment Earnings	278,694	44,694	15,359	84,735	129,145	66,713	28,083	14,200	168,062	61,581
Special item	-	-	-	-	-	-	222,098	(233,654)	-	(177,821)
Total Governmental Activities	<u>7,790,448</u>	<u>7,262,548</u>	<u>6,826,543</u>	<u>6,426,650</u>	<u>6,101,166</u>	<u>5,885,099</u>	<u>5,452,347</u>	<u>4,877,301</u>	<u>5,260,149</u>	<u>4,887,702</u>
Total Primary Government	<u>7,790,448</u>	<u>7,262,548</u>	<u>6,826,543</u>	<u>6,426,650</u>	<u>6,101,166</u>	<u>5,885,099</u>	<u>5,452,347</u>	<u>4,877,301</u>	<u>5,260,149</u>	<u>4,887,702</u>
Total primary government	<u>\$ 7,790,448</u>	<u>\$ 7,262,548</u>	<u>\$ 6,826,543</u>	<u>\$ 6,426,650</u>	<u>\$ 6,101,166</u>	<u>\$ 5,885,099</u>	<u>\$ 5,452,347</u>	<u>\$ 4,877,301</u>	<u>\$ 5,260,149</u>	<u>\$ 4,887,702</u>
Change in Net Position										
Governmental Activities	<u>\$ 337,024</u>	<u>\$ 1,162,447</u>	<u>\$ (939,757)</u>	<u>\$ 635,822</u>	<u>\$ 711,921</u>	<u>\$ 756,107</u>	<u>\$ (1,951)</u>	<u>\$ (1,313,132)</u>	<u>\$ 64,959</u>	<u>\$ 50,199</u>
Total Change in Net Position	<u>\$ 337,024</u>	<u>\$ 1,162,447</u>	<u>\$ (939,757)</u>	<u>\$ 635,822</u>	<u>\$ 711,921</u>	<u>\$ 756,107</u>	<u>\$ (1,951)</u>	<u>\$ (1,313,132)</u>	<u>\$ 64,959</u>	<u>\$ 50,199</u>

City of Santa Fe, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General fund										
Nonspendable	\$ 9,809	\$ 3,224	\$ 2,595	\$ 27,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	117,216	506,382	506,382	199,075	18,484	18,466	18,448	332,528	43,832	18,393
Assigned	-	-	-	-	-	60,727	163,751	-	287,759	231,369
Unassigned	<u>3,490,365</u>	<u>2,695,499</u>	<u>2,381,488</u>	<u>2,454,670</u>	<u>2,126,321</u>	<u>1,805,221</u>	<u>1,244,016</u>	<u>1,142,237</u>	<u>1,242,358</u>	<u>1,336,374</u>
Total General Fund	<u>\$ 3,617,390</u>	<u>\$ 3,205,105</u>	<u>\$ 2,890,465</u>	<u>\$ 2,680,865</u>	<u>\$ 2,144,805</u>	<u>\$ 1,884,414</u>	<u>\$ 1,426,215</u>	<u>\$ 1,474,765</u>	<u>\$ 1,573,949</u>	<u>\$ 1,586,136</u>
All Other governmental funds										
Nonspendable	\$ -	\$ 7,600	\$ (629)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	471,264	446,645	384,737	388,999	333,423	272,060	216,790	176,765	140,051	104,978
Committed	<u>2,996,047</u>	<u>2,979,339</u>	<u>3,548,688</u>	<u>4,525,115</u>	<u>4,045,847</u>	<u>3,576,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,467,311</u>	<u>\$ 3,433,584</u>	<u>\$ 3,932,796</u>	<u>\$ 4,914,114</u>	<u>\$ 4,379,270</u>	<u>\$ 3,848,211</u>	<u>\$ 216,790</u>	<u>\$ 176,765</u>	<u>\$ 140,051</u>	<u>\$ 104,978</u>

City of Santa Fe, Texas
Governmental Funds
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
REVENUES										
Property Taxes	\$ 2,846,747	\$ 2,864,789	\$ 2,761,194	\$ 2,650,581	\$ 2,517,465	\$ 2,419,494	\$ 2,228,880	\$ 2,164,000	\$ 2,068,772	\$ 2,012,486
Penalties and interest	37,192	35,485	39,594	29,741	112,323	73,728	29,639	28,885	33,120	35,390
Sales taxes	3,825,252	3,448,894	3,235,607	2,791,143	2,600,444	2,509,145	1,614,494	1,533,679	1,680,305	1,655,832
Franchise taxes	753,266	774,413	777,849	769,974	797,268	781,519	783,344	794,525	745,822	735,418
Licenses and Permits	415,417	362,722	378,790	327,840	267,190	330,929	173,777	211,644	189,635	147,220
Fines and Forfeitures	622,669	344,179	230,270	163,871	237,212	281,109	254,136	245,945	229,294	294,869
Investment earnings	278,694	44,694	15,359	84,735	48,994	32,895	17,196	7,948	4,879	11,166
Intergovernmental	1,151,626	1,975,656	1,465,355	1,245,643	560,560	420,445	272,273	1,397,616	660,801	305,002
Contributions	486,618	311,434	70,214	3,767	263,480	-	-	-	-	-
Other	87,897	95,604	73,149	148,743	49,552	111,681	83,424	143,572	232,532	152,880
Total Revenues	<u>10,505,378</u>	<u>10,257,870</u>	<u>9,047,381</u>	<u>8,216,038</u>	<u>7,454,488</u>	<u>6,960,945</u>	<u>5,457,163</u>	<u>6,527,814</u>	<u>5,845,160</u>	<u>5,350,263</u>
EXPENDITURES										
Current:										
General Government	3,502,774	3,619,252	3,368,012	3,027,970	2,235,303	2,041,516	1,597,249	3,097,901	3,534,939	1,220,597
Economic Development	648,369	343,593	154,629	40,702	25,763	41,459	272,273	-	656,526	305,002
Public Safety	3,221,526	3,126,527	2,932,071	2,277,818	2,267,594	2,334,391	2,216,437	1,847,560	115,220	2,388,213
Public Works	1,030,337	1,048,444	1,089,460	918,495	941,433	941,375	959,467	1,169,875	825,402	686,935
Capital Outlay	1,107,243	3,191,185	1,399,830	889,033	974,442	373,330	333,676	636,726	579,464	3,684,646
Debt Service:										
Principal	433,732	370,396	385,374	347,290	385,516	145,000	140,000	135,000	130,000	277,644
Bond issuance costs	-	41,000	-	-	-	-	-	-	-	-
Interest and fiscal charges	115,385	115,892	115,200	120,438	120,768	119,175	123,450	127,575	137,366	146,596
Total Expenditures	<u>10,059,366</u>	<u>11,856,289</u>	<u>9,444,576</u>	<u>7,621,746</u>	<u>6,950,819</u>	<u>5,996,246</u>	<u>5,642,552</u>	<u>7,014,637</u>	<u>5,978,917</u>	<u>8,709,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>446,012</u>	<u>(1,598,419)</u>	<u>(397,195)</u>	<u>594,292</u>	<u>503,669</u>	<u>964,699</u>	<u>(185,389)</u>	<u>(486,823)</u>	<u>(133,757)</u>	<u>(3,359,370)</u>
OTHER FINANCING SOURCES (USES)										
Bond proceeds	-	650,000	-	-	-	-	-	-	-	-
Financed purchases	-	256,836	-	-	-	-	-	-	-	-
Capital lease issued	-	-	132,487	476,612	287,781	118,629	176,864	424,353	156,643	145,000
Premium on bonds	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>906,836</u>	<u>132,487</u>	<u>476,612</u>	<u>287,781</u>	<u>118,629</u>	<u>176,864</u>	<u>424,353</u>	<u>156,643</u>	<u>145,000</u>
Net change in fund balances	<u>\$ 446,012</u>	<u>\$ (691,583)</u>	<u>\$ (264,708)</u>	<u>\$ 1,070,904</u>	<u>\$ 791,450</u>	<u>\$ 1,083,328</u>	<u>\$ (8,525)</u>	<u>\$ (62,470)</u>	<u>\$ 22,886</u>	<u>\$ (3,214,370)</u>
Debt Service as a percentage of noncapital expenditures	6.13%	6.09%	6.22%	6.95%	8.47%	4.70%	4.96%	4.12%	4.95%	8.44%

City of Santa Fe, Texas
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Personal Property	Real Estate Property	Less: Total Exemptions	Total Taxable Assessed Value	Taxable Assessed value as a Percentage of Estimated Actual Value	Estimated Actual Value of Taxable Property	Total Direct Tax Rate
2023	\$ 45,138,287	\$ 1,586,234,847	\$259,419,580	\$ 1,474,954,241	92.51%	\$ 1,594,289,538	0.238602
2022	41,800,219	1,544,574,644	249,469,995	1,336,904,868	92.09%	1,451,703,141	0.265520
2021	42,023,659	1,242,565,194	173,747,016	1,110,841,837	92.19%	1,204,995,300	0.294000
2020	39,514,437	949,982,541	119,150,098	870,346,880	85.95%	1,012,564,137	0.326200
2019	39,824,506	1,007,312,929	115,596,787	931,540,648	95.90%	971,373,584	0.326200
2018	38,527,403	939,778,181	111,260,233	867,045,351	92.05%	941,926,614	0.326200
2017	36,941,056	729,717,181	27,330,078	739,328,159	82.54%	895,735,309	0.326200
2016	41,899,822	671,908,154	26,101,079	687,706,897	83.12%	827,332,704	0.345000
2015	42,033,803	600,001,664	24,023,256	618,012,211	86.82%	711,807,354	0.358900
2014	42,820,931	591,125,768	24,805,903	609,140,796	96.09%	633,946,699	0.370200

SOURCE: County Tax Office

**City of Santa Fe, Texas
Direct and Overlapping Government
Property Tax Rates
Last Ten Fiscal Years**

Fiscal Year	Tax Year	City Direct Rate			Overlapping Rates	
		Basic Rate	General Obligation Debt Service	Total Direct	Galveston County	Santa Fe Independent School District
2023	2022	0.21043	0.02817	0.23860	0.4089	1.2169
2022	2021	0.23575	0.02977	0.26552	0.4245	1.2343
2021	2020	0.26737	0.02668	0.29404	0.4759	1.2816
2020	2019	0.28810	0.03810	0.32620	0.5161	1.3323
2019	2018	0.28510	0.04110	0.32620	0.5319	1.4023
2018	2017	0.28410	0.04210	0.32620	0.5519	1.4023
2017	2016	0.28250	0.04370	0.32620	0.5520	1.1467
2016	2015	0.29770	0.04730	0.34500	0.5670	1.4358
2015	2014	0.30740	0.05150	0.35890	0.5848	1.4090
2014	2013	0.31720	0.05300	0.37020	0.5898	1.4539

SOURCE: City of Santa Fe, Galveston County Appraisal District

City of Santa Fe, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
CENTERPOINT ENERGY HOUSTON	\$ 15,978,040	1 & 2 *	1.08%	\$ 6,438,178	1	1.06%
BNSF RAILWAY CO	5,740,880	3	0.39%	3,112,409	2	0.51%
THE VILLAGE MANOR	5,000,000	4	0.34%	1,100,000	11	0.18%
MCCARRA PROPERTIES LLC	4,200,000	5	0.28%			0.00%
ALLIED WASTE NORTH AMERICA INC	3,992,770	6	0.27%	2,458,526	3	0.40%
SANTA FE OWNER LLC	3,363,750	7	0.23%	1,261,990	8	0.21%
EJ SANTA FE LLC	3,350,000	8	0.23%			0.00%
DANIELS JAMES C	3,207,962	9	0.22%	2,252,560	4	0.37%
EXCHANGERIGHT NET LEASED PORTFOLIO	2,984,900	10	0.20%			0.00%
IRAPACK INVESTMENTS LLC	2,612,500	11	0.18%			0.00%
MCDONALD PHARMS LLC	2,540,104	12	0.17%			0.00%
MONTCO LOTS LLC	2,390,820	13	0.16%			0.00%
GASS RAYMOND T II & CACEY	2,117,470	14	0.14%			0.00%
COMCAST OF HOUSTON LLC	2,015,170	15	0.14%	823,452	18	0.14%
SAPUTO FRANK M & MEGAN M	1,920,744	16	0.13%			0.00%
SLONE LUMBER CO INC				1,883,485	5	0.31%
MULBERRY FARMS LLC	1,850,730	17	0.13%			0.00%
AMOCO FEDERAL CREDIT UNION	1,788,430	18	0.12%	1,051,263	12	0.17%
JOHNSON GINA M	1,712,660	19	0.12%			0.00%
BLUEWATER EQUITIES LLC	1,654,140	20	0.11%	788,040	19	0.13%
ARLANS MARKETS INC				1,514,930	6	0.25%
CVS PHARMACY INC				1,354,825	7	0.22%
GTE SOUTHWEST INC				1,251,863	9	0.21%
1330 HWY 6 LLC				1,161,120	10	0.19%
NANCE ROBERT L JR				1,029,560	13	0.17%
HOMETOWN EQUIPMENT LLC				993,631	14	0.16%
BILL MAR HOMES LLC				922,995	15	0.15%
HEB PANTRY FOODS				915,860	16	0.15%
TEXAS FIRST BANK-SANTA FE				874,595	17	0.14%
HUNT HASSIE EXPLORATION CO				748,127	20	0.12%
Total	\$ 68,421,070		4.64%	\$ 31,937,409		5.24%

* Two locations in 2023; One location in 2014

SOURCE: City of Santa Fe, Texas

**City of Santa Fe, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years**

Year Ended September 30,	Tax Roll Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2023	2022	\$ 2,885,097	\$ 2,810,025	98.05%	\$ -	\$ 2,810,025	97.40%
2022	2021	3,258,134	3,192,625	97.99%	-	3,192,625	97.99%
2021	2020	3,019,483	2,978,720	98.65%	8,935	2,987,655	98.95%
2020	2019	3,050,196	2,954,725	96.87%	75,240	3,029,965	99.34%
2019	2018	2,750,469	2,676,757	97.32%	60,441	2,737,197	99.52%
2018	2017	2,646,949	2,578,922	97.43%	55,769	2,634,691	99.54%
2017	2016	2,348,170	2,282,656	97.21%	55,227	2,337,883	99.56%
2016	2015	2,179,436	2,129,963	97.73%	40,546	2,170,509	99.59%
2015	2014	2,133,981	2,081,485	97.54%	45,499	2,126,984	99.67%
2014	2013	2,017,688	1,966,640	97.47%	45,352	2,011,993	99.72%

SOURCE: City of Santa Fe, Texas

City of Santa Fe, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Outstanding Debt	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Financed Purchases	Leases			
2023	\$ 2,770,504	\$ 307,106	\$ -	\$ 3,077,610	27.98%	\$ 422
2022	3,005,561	515,838	-	3,521,399	32.91%	425
2021	2,525,618	-	469,398	2,995,016	29.08%	372
2020	2,690,675	-	567,285	3,257,960	31.94%	408
2019	2,850,732	-	287,963	3,138,695	31.39%	421
2018	3,010,789	-	235,698	3,246,487	33.13%	442
2017	3,030,846	-	347,171	3,378,017	35.56%	472
2016	3,315,903	-	411,612	3,727,515	39.65%	522
2015	3,460,960	-	222,067	3,683,027	39.60%	513
2014	3,601,017	-	239,269	3,840,286	42.67%	535

¹ Personal income and population data are listed on the Demographic Statistics table.

City of Santa Fe, Texas
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Year Ended Sept. 30,	Population	Taxable Assessed Valuation (1)	Gross Bonded Debt	General Bonded Debt Service Fund Available	Net Bonded Debt	Net Debt	
						Ratio To Assessed Valuation	Per Capita
2023	15,090	\$ 1,474,954,241	\$ 2,680,000	\$ 471,264	\$ 2,208,736	0.15%	\$ 146.37
2022	12,900	1,336,904,868	2,905,000	446,645	2,458,355	0.18%	190.57
2021	12,783	1,110,841,837	2,415,000	384,737	2,030,263	0.18%	158.83
2020	12,764	870,346,880	2,570,000	388,999	2,181,001	0.25%	170.87
2019	13,400	931,540,648	2,720,000	333,423	2,386,577	0.26%	178.10
2018	13,328	867,045,351	2,870,000	272,060	2,597,940	0.30%	194.92
2017	13,279	739,328,159	3,015,000	216,790	2,798,210	0.38%	210.72
2016	13,154	687,706,897	3,155,000	176,765	2,978,235	0.43%	226.41
2015	12,949	618,012,211	3,290,000	140,051	3,149,949	0.51%	243.26
2014	12,779	609,140,796	3,420,000	104,978	3,315,022	0.54%	259.41

(1) Assessed value is after exemptions claimed.

SOURCE: City of Santa Fe, Texas

City of Santa Fe, Texas
Schedule of Direct and Estimated Overlapping Debt
As of September 30, 2023

	<u>Debt Outstanding</u>	<u>Applicable To City *</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Political Subdivision</u>			
City of Santa Fe	\$ 3,077,610	100%	\$ 3,077,610
			<u>3,077,610</u>
Galveston Co	174,315,041	2.71%	4,723,938
Galveston WC&ID # 8	13,530,000	100.00%	13,530,000
Hitchcock ISD	105,788,040	0.00%	-
Santa Fe ISD	7,780,000	50.03%	<u>3,892,334</u>
Sub-total Estimated Overlapping Debt			<u>22,146,272</u>
Total Net Direct and Estimated Overlapping Debt			<u>\$ 25,223,882</u>

* The percentage of overlapping debt applicable is estimated by using assessed valuation of taxable property. Applicable percentages were estimated by dividing the shared value by the total assessed value of taxable property within the City.

City of Santa Fe, Texas
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt Limit	\$ 73,747,712	\$ 66,845,243	\$ 55,542,092	\$ 43,517,344	\$ 46,577,032	\$ 43,352,268	\$ 36,966,408	\$ 34,385,345	\$ 30,900,611	\$ 30,457,040
Total net debt applicable to limit	(2,211,657)	(2,536,826)	(2,036,376)	(2,181,001)	(2,386,577)	(2,597,940)	(2,798,211)	(2,755,435)	(2,888,399)	(3,054,741)
Legal debt margin	\$ 71,536,055	\$ 64,308,417	\$ 53,505,716	\$ 41,336,343	\$ 44,190,455	\$ 40,754,328	\$ 34,168,197	\$ 31,629,910	\$ 28,012,212	\$ 27,402,299
Total net debt applicable to the limit as a percentage of debt limit	3.00%	3.80%	3.67%	5.01%	5.12%	5.99%	7.57%	8.01%	9.35%	10.03%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$ 1,474,954,241
Debt limit (5% of assessed value)	73,747,712
Debt applicable to limit:	
General obligation bonds	2,680,000
Less: Amount set aside for repayment of general obligation debt	(471,264)
Total net debt applicable to limit	<u>2,208,736</u>
Legal debt margin	<u>\$ 71,538,976</u>

**City of Santa Fe, Texas
Demographic and Economic Statistics
Last Ten Calendar Years**

<u>Fiscal Year</u>	<u>Population*</u>	<u>Personal Income (thousands of dollars) (3)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>Education Level In Years of Formal Schooling (4)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (2)</u>
2023	15,090	\$ 110	\$ 7,290	45.1	12.8	4,365	3.70%
2022	12,900	107	8,295	42.8	12.8	4,363	4.90%
2021	12,783	103	8,058	40.7	12.9	4,337	6.30%
2020	12,764	102	7,991	41.2	n/a	4,521	7.90%
2019	13,400	100	7,463	42.6	n/a	4,421	4.40%
2018	13,328	98	7,353	41.7	n/a	4,578	4.70%
2017	13,279	95	7,154	41.4	n/a	4,478	5.55%
2016	13,154	94	7,146	43.1	n/a	4,560	5.90%
2015	12,949	93	7,182	40.5	n/a	4,571	5.10%
2014	12,779	90	7,043	40.5	n/a	4,622	6.00%

*Population Estimates - U. S. Census Bureau

SOURCES:

- (1) Information is for the City of Santa Fe, Texas - U.S. Census data
- (2) Information is for the City of Santa Fe, Texas
- (3) Estimates provided by the City of Santa Fe
- (4) Independent School District

**City of Santa Fe, Texas
Top Ten Principal Employers
Current Year and Nine Years Ago**

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Santa Fe ISD	702	1	6.02%	638*	1	6.08%
H-E-B, LP	74	2	0.63%	69	2	0.66%
City of Santa Fe	62	3	0.53%	57	3	0.54%
McDonald's	50	4	0.43%	40	5	0.38%
Sonic	50	5	0.43%	32	6	0.30%
Arlan's Markets Inc.	40	6	0.34%	50	4	0.48%
Slone Lumber	37	7	0.32%	26	7	0.25%
Gass Automotive, Inc.	30	8	0.26%	10	8	0.10%
Chicken Express	23	9	0.20%	0		0.00%
Tractor Supply Co.	23	10	0.20%	10	9	0.10%
Circle K, Diamond Shamrock				7	10	0.07%
Total	1,091		9.36%	939		8.96%

SOURCE: City of Santa Fe, Texas

* 2014 Estimates

City of Santa Fe, Texas
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government	17	19	19	18	18	18	18	18	18	18
Public Safety										
Police										
Officers	24	24	24	24	23	23	23	23	23	23
Civilians	7	7	7	7	7	7	7	7	7	7
Fire										
Firefighters and officers	1	-	-	-	-	-	-	-	-	-
Civilians	-	-	-	-	-	-	-	-	-	-
Public Works	11	12	12	12	12	12	12	12	12	12
Parks	2	-	-	-	-	-	-	-	-	-
Total	62	62	62	61	60	60	60	60	60	60

SOURCE: City of Santa Fe, Texas

City of Santa Fe, Texas
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Physical Arrests	506	462	436	392	763	752	638	379	416	882
Traffic Violations	6,013	5,357	5,135	3,368	4,708	5,022	5,149	2,596	1,087	3,584
Public Works										
Streets resurfaced (miles)	-	2	3	2	3	3	3	2	3	3
Potholes repaired	2,250	2,000	1,800	1,600	2,500	1,800	1,600	1,600	1,400	2,500
Asphalt failure repairs (square feet)	80,000	70,000	20,000	10,000	30,000	50,000	25,000	15,000	40,000	40,000
Library										
Volumes in collection	97,030	95,774	96,891	106,491	98,632	96,313	79,384	69,800	70,496	72,381
Total volumes borrowed	21,511	16,275	18,012	20,267	30,330	28,914	28,792	32,421	29,539	31,191
Total patron visits	20,577	15,885	11,463	15,272	29,561	29,561	27,885	31,501	32,015	30,312

SOURCE: City of Santa Fe, Texas

City of Santa Fe, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	17	18	8	8	8	8	8	8	8	8
Public Works										
Streets (miles)	92	92	92	92	92	92	92	92	92	92
Streets	234	234	232	232	232	216	216	216	216	216
Traffic Signals	10	10	10	10	10	10	10	10	10	10
Parks and Recreations										
Parks	3	2	2	2	2	2	2	2	2	2
Playgrounds	2	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	1	-	-	-	-	-	-	-	-	-
Community centers/amphitheaters	2	2	1	1	1	1	1	1	1	1

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**REPORTS ON INTERNAL CONTROL
AND COMPLIANCE MATTERS**

City of Santa Fe, Texas
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Grantor's I.D. Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Treasury				
Passed Through Texas Division of Emergency Management COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	TX1378	\$ 376,873	\$ -
Total U.S. Department of Treasury			376,873	-
U.S. Department of Housing and Urban Development				
Passed Through Texas General Land Office Community Development Block Grants/ State's Program and Non-entitlement Grants in Hawaii	14.228	20-065-026-C093	114,058	-
Total U.S. Department of Housing and Urban Development			114,058	-
U.S. Department of Justice				
Passed Through Texas Office of the Governor Criminal Justice Division Crime Victim Assistance	16.575	3702404	470,178	-
Total U.S. Department of Justice			470,178	-
U.S. Department of Transportation				
Passed through the Texas Department of Transportation National Highway Traffic Safety Administration Highway Safety Cluster State and Community Highway Safety	20.600	2023-SantaFe-S-1YG-00022	1,821	-
Total U.S. Department of Transportation			1,821	-
Total expenditures of federal awards			\$ 962,930	\$ -

City of Santa Fe, Texas
Notes to Schedule of Expenditures of Federal Awards
For the year ended September 30, 2023

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal spending of the City of Santa Fe, Texas (the City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimis cost rate. For the year ended September 30, 2023, the City of Santa Fe, Texas did not elect to use this de minimis cost rate.

Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The City of Santa Fe, Texas did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2023.

Note 4: SUBRECIPIENTS

During the year ended September 30, 2023, the City of Santa Fe, Texas had no subrecipients.

Note 5: NONCASH ASSISTANCE AND OTHER

The City of Santa Fe, Texas did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2023.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the City of Santa Fe, Texas are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the City of Santa Fe, Texas does not believe that such disallowance, if any, would have a material effect on the financial position of the City of Santa Fe, Texas.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Santa Fe, Texas (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Santa Fe, Texas’ basic financial statements, and have issued our report thereon dated April 24, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
April 24, 2024



Carr, Riggs & Ingram, LLC
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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Santa Fe, Texas’ (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2023. The City of Santa Fe, Texas’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Rigg & Ingram, L.L.C.

Houston, Texas

April 24, 2024

City of Santa Fe, Texas
Schedule of Findings and Questioned Costs
For the year ended September 30, 2023

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None noted |
| c. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 4. Identification of major program: | |

Assistance Listing Number

Name of Federal Program

21.027

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk federal auditee? | Yes |

City of Santa Fe, Texas
Schedule of Findings and Questioned Costs (Continued)
For the year ended September 30, 2023

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters reported for the year ended September 30, 2023.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported for the year ended September 30, 2023.

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS

The audit of Federal awards disclosed no findings that were required to be reported relating to the year ended September 30, 2022.