

**CITY OF SANTA FE, Texas**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**CAMBIANO & CAMBIANO, P.C.**  
Certified Public Accountants  
Santa Fe, Texas

CITY OF SANTA FE, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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**INTRODUCTORY SECTION**

**CITY OF SANTA FE, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**CITY COUNCIL**

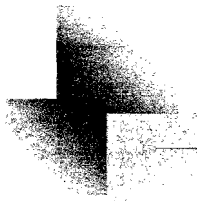
<b>Ralph Stenzel</b>	<b>Mayor</b>
<b>Jeff Tambrella</b>	<b>Mayor Pro-Tem</b>
<b>Joe Carothers</b>	<b>Council Member</b>
<b>Pat McCrary</b>	<b>Council Member</b>
<b>Jim Abney</b>	<b>Council Member</b>
<b>Ronald "Bubba" Jannett</b>	<b>Council Member</b>

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<b>Joe Dickson</b>	<b>City Manager</b>
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<b>Janet Davis</b>	<b>City Secretary/Treasurer</b>
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**FINANCIAL SECTION**



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Accountants and Texas Society of  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Santa Fe, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Santa Fe, Texas, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2010 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 14, budgetary comparison information on pages 53 through 62, and the schedule of funding progress on page 63, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary financial information included on pages 64 through 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, included on page 78, is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The other supplementary financial information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Cambiano and Cambiano, P.C." in a cursive, flowing script.

**Cambiano and Cambiano, P.C.**  
Santa Fe, Texas

June 23, 2010

**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2009**

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This section of the City of Santa Fe, Texas' annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2009. Please read it in conjunction with the basic financial statements and the accompanying notes to basic financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- The assets of the City exceeded its liabilities at the close of the fiscal year ending September 30, 2009 by \$20,766,592 (net assets). Of this amount, \$1,770,334 (unrestricted net assets) may be used to meet the government's ongoing obligations in accordance with the City's fund designation and fiscal policies, \$203,616 is for restricted uses, and \$18,792,642 are capital assets, net of related debt.
- The City's total net assets decreased by \$197,393 compared to an increase of \$4,033,891 in the prior year. The large prior year increase was the result of street and drainage infrastructure contributions from municipalities and subdivision developers totaling \$4,298,236. Please see Table 2, page 8 for a more detailed analysis of the change in net assets.
- In contrast to the government-wide statements, the fund statements reported a combined fund balance at year-end of \$2,165,678, an increase of \$83,468 from the prior year. Of this amount, \$1,929,492 is available for use at the City's discretion.
- The City's total capital lease debt decreased by a net of \$129,395 during the current fiscal year due to the incurring of new debt of \$119,329 less principal payments of \$248,724.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended as an introduction to the City of Santa Fe, Texas basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains Required Supplementary Information along with related notes and Other Supplementary Information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.



**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

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The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short term spendable resources) with capital assets and long-term obligations.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- Governmental activities include most of the City's basic services (general government administration, tax, community service, judicial/police, fire marshal, public safety, library, streets, parks, and community center). Property taxes, sales taxes, and franchise fees primarily finance these activities.
- The City does not have any business-type activities.

The government-wide financial statements can be found on pages 15 through 17 of this report.

### **Fund Financial Statements**

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental fund types.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet, statement of revenues, expenditures, and changes in fund balances include a reconciliation to provide such comparison.

The City maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is a major fund. The City also reports their federal grant programs as Special Revenue Funds. These Special Revenue Funds do not meet the criteria for a major program, but the City believes the activities in this fund are significant since they are funded by federal grant money.

The governmental fund financial statements can be found on pages 18 through 25 of this report.

#### Notes to Basic Financial Statements

The notes 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 Basic Financial Statements can be found immediately following the basic financial statements on pages 26 through 52.

#### Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information related to budgetary comparative information for the General Fund and Special Revenue Fund. It also includes the Schedule of Funding Progress of the City's retirement plan. Notes to Required Supplementary Information are also included in this section.

The Required Supplementary Information can be found on pages 53 through 63 of this report.

#### Other Supplementary Information

This section presents information, in the form of schedules, which support the information in the basic financial statements. This information can be found on pages 64 through 73 of this report.

### ***FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE FINANCIAL ANALYSIS)***

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$20,766,592 at the close of the current fiscal year.

As shown in Table 1, as of September 30, 2009, the largest portion of the City's net assets (90.5%) reflects its investments in capital assets (e.g. land, buildings, equipment, improvements, radios, vehicles, computers, furniture and fixtures, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Therefore, these assets are not available for future spending. 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.

**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

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**Table 1  
Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 3,327,594	\$ 3,714,978
Capital assets	18,983,634	19,402,321
Total Assets	<u>22,311,228</u>	<u>23,117,299</u>
Current and other liabilities	1,053,476	1,811,896
Long-term liabilities	491,160	425,868
Total Liabilities	<u>1,544,636</u>	<u>2,237,764</u>
Net Assets:		
Invested in capital assets, net of related debt	18,792,642	19,049,362
Restricted	203,616	283,163
Unrestricted	<u>1,770,334</u>	<u>1,547,010</u>
Total Net Assets	<u>\$ 20,766,592</u>	<u>\$20,879,535</u>

Governmental type activities decreased the City's net assets by \$197,393 during the current fiscal year. The following table provides a summary of the City's operations for the year ended September 30, 2009.

CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009

Table 2  
Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 535,696	\$ 497,978
Operating grants and contributions	1,894,676	1,333,361
Capital grants and contributions	169,368	4,314,381
General revenues:		
Property taxes	1,345,286	1,265,457
Sales tax	1,467,576	1,347,333
Franchise tax and contract fees	665,148	636,940
Investment earnings	23,146	72,252
Penalties and interest on property taxes	30,881	25,900
Gain (loss) on sale of capital assets	(4,153)	(3,094)
Other	21,218	15,884
Total Revenues	<u>6,148,842</u>	<u>9,506,392</u>
Expenses:		
General government administration	520,667	455,056
Tax	14,321	13,060
Community service	261,293	249,171
Judicial/Police	2,073,017	2,005,433
Fire marshal	12,498	10,315
Public safety	1,183,226	934,748
Library	199,986	171,038
Streets	1,295,095	1,243,942
Parks	80,271	80,688
Community center	25,479	24,690
Interest on long-term debt	13,593	11,542
Interest on short-term borrowings	14,506	-
Home Investment Partnerships Program	204,509	1,420
Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program	257,265	271,398
Texas Community Development Block Grant (TxCDBG) Supplemental Fund Program	190,509	-
Total Expenses	<u>6,346,235</u>	<u>5,472,501</u>
Increase(decrease) in net assets	(197,393)	4,033,891
Net assets at beginning of year, as restated (See Note 12)	<u>20,963,985</u>	<u>16,845,644</u>
Net assets at end of year	<u>\$ 20,766,592</u>	<u>\$ 20,879,535</u>

**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

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Key elements of the analysis of government-wide revenues and expenses reflected in Table 2 above are as follows:

- Program revenues of \$2,599,740 equaled 40.9% of government expenses of \$6,346,235. As expected, general revenues (\$3,549,102) provided the required support and coverage for expenses. Property taxes, sales tax, and franchise and contract fees provided a majority of the general revenues.
- Over one-third of the expenses are judicial/police (\$2,073,017), while this category provided about 6.4% of the total revenues of \$6,148,842. The majority of the expenses in this category were incurred for salary and benefits (\$1,696,607) and supplies and materials (\$120,606).
- The next largest category of expenses is streets (\$1,295,095) at 20.4%. The more significant expenses in this category are related to salary and benefits (\$406,683), maintenance and repairs (\$87,508), and depreciation (\$700,552).
- Public safety expenses were \$1,183,226, an increase of \$248,478 over the prior year. These expenses are for special services contracts awarded to various contractors for debris monitoring, debris hauling, and landfill disposal as a result of Hurricane Ike in September, 2008.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

***FINANCIAL ANALYSIS OF THE CITY'S FUNDS  
(GOVERNMENTAL FUNDS FINANCIAL ANALYSIS)***

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

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 of Santa Fe's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,165,678, an increase \$83,468 in comparison with the prior year. Approximately 89% of this amount (\$1,929,492) is unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for future budget requirements (\$184,961), library expansion (\$18,286), park development (\$280), encumbrances (\$3,146), and prepaid items (\$29,513).

**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

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The fund balance of the City's General Fund increased by \$83,468 during the current fiscal year. Key factors are as follows:

- \$19,474 in revenues over expenditures – revenues were \$3,906,825 less than in the prior year. This decrease was a result of \$4,152,236 in contributions from municipalities not being received in the current year in the form of streets and drainage infrastructure. Property, sales tax, franchise and contract fees, and licenses and permits generated slightly more income than the prior year. Municipal fines, cash bonds, and interest income generated less revenue than the prior year. Expenditures related to general government administration, judicial/police, fire marshal, library, streets, and principal and interest payments on debt showed significant increases. Capital outlay expense decreased \$4,290,746 from the prior year. The majority of this decrease (\$4,152,236) was streets and drainage infrastructure contributions from municipalities and developers not being received. The significant decrease in capital outlay expense was offset by an equal amount of revenues mentioned above.
- \$63,994 in other financing sources – this resulted from a capital lease for a 2009 Ford vehicle (police unit), 2009 Ford vehicle (marshal unit), mobile video systems, dual antenna radar units, and an XTL 2500 mobile radio.

***GENERAL FUND BUDGETARY HIGHLIGHTS***

The budget is prepared in accordance with budgetary policies approved by the City Council. The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the City Manager and approved by the City Council following a public hearing.

The following is a brief review of the budgetary changes from the original to the final budget.

- A net increase in the revenue budget of \$321,892. Some of the significant budget increases resulted from sales tax (\$120,000), municipal fines and cash bond forfeits (\$52,911), funding for the Substance Abuse and Mental Health Services (SAMHSA), Drug Free Communities Support Program (\$143,844), HOME Investment Partnership Program (\$15,481), and Community Development Block Grant Supplemental Fund Program (\$70,000). Budget decreases were related to licenses and permits (\$26,500) and interest income (\$51,000).
- The other financing sources had a net increase of \$1,223,086. This increase is attributed to an increase of capital lease contracts as Council decided to proceed with capital expenditure purchases to be funded by capital lease proceeds (\$119,329), a decrease in the amount of appropriated fund balance to be used (\$96,243), and an increase in the line of credit debt proceeds to be used to pay final expenses related to Hurricane Ike (\$1,200,000).
- A net increase in the budget for expenditures of \$1,463,455. Some of the significant increases and decreases can be summarized as follows:

CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009

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*Capital expenditures* – an increase of \$104,867. Most of this increase was the result of Council deciding to purchase capital assets in the 2008-09 year.

*Debt service – principal retirement* – an increase of \$1,198,800. This increase was to cover principal payments on line of credit proceeds received from the bank to cover final Hurricane Ike expenditures.

*Debt service – interest* – an increase of \$16,900. This increase was to cover interest payments to the bank on line of credit proceeds received to cover final Hurricane Ike expenditures.

*Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program* – an increase of \$143,844. This increase was to recognize Santa Fe Independent School District in-kind services and Kilroy Foundation cash match and in-kind services

*HOME Investment Partnership Program* – an increase of \$15,482. Additional budgeted expenditures were needed to cover the local match related to project construction costs.

The following are significant variations between the final budget and actual amounts.

- Actual General Fund Revenues of \$4,445,332 exceeded budgeted revenues of \$4,292,050 by \$153,282. Actual revenues exceeding the final budget were generated by additional licenses and permits (\$62,031). Other revenues also exceeded the final budget by \$162,411. The majority of the other revenues (\$156,000) were in the form of street contributions from developers within the City. Actual sales tax revenues of \$1,467,576 were less than the budgeted amount of \$1,500,000 by \$32,424. The actual other financing sources of \$63,994 were less than the budgeted amount of \$1,487,630 by \$1,423,636. A majority of the actual to final budget difference was made up of \$168,301 of appropriated fund balance not needed and \$1,200,000 of line of credit proceeds treated as short-term borrowings.
- Actual expenditures of \$4,425,858 were less than final budgeted expenditures of \$5,698,157 by \$1,272,299. Actual expenditures were less than the final budget in the community services department (\$25,838), judicial/police department (\$48,712), parks department (\$37,774), and debt service – principal retirement (\$1,200,000). The large amount of debt service – principal retirement was a result of line of credit principal payments to the bank being treated as short-term borrowings. Actual expenditures were more than the final budget in the Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program (\$14,909) and capital expenditures (\$46,575).
- Final budgeted amounts projected an increase in fund balance of \$81,523. The actual net change in fund balance was an increase of \$83,468.

**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

**Capital Assets**

The City of Santa Fe's investment in capital assets for its governmental activities as of September 30, 2009, amounts to \$18,983,634, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, computers, equipment, furniture and fixtures, infrastructure, radios, and vehicles.

**Table 3 - Capital Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 250,048	\$ 250,048
Buildings	681,068	681,068
Building improvements	222,912	222,912
Computers	266,732	265,699
Equipment	1,106,703	1,097,168
Furniture and fixtures	11,164	11,164
Improvements (other than buildings)	72,314	69,462
Infrastructure	26,435,667	26,279,667
Infrastructure improvements	2,960,193	2,771,750
Radios	44,061	40,751
Vehicles	759,194	688,843
Total Capital Assets	32,810,056	32,378,532
Less: Accumulated depreciation	(13,826,422)	(12,976,211)
Total capital assets, net of depreciation	<u>\$ 18,983,634</u>	<u>\$ 19,402,321</u>

Some of the City's major capital asset events in the current fiscal year were:

- The General Fund purchased capital assets during the 2008-2009 fiscal year amounting to \$271,302. The more significant purchases were infrastructure street improvements (\$188,443), air conditioning unit at the library (\$3,860), police department motor vehicle with mobile video system and radio (\$31,383), marshal vehicle (\$21,748), radar units (\$7,184), 2005 Ford F150 truck for parks department (\$12,075), new street department trailer for the roller (\$2,880), and computer equipment and upgrades (\$7,423).
- The City also received \$166,610 in capital asset contributions. Subdivision developers contributed \$156,000 of street improvements to the City. A seized vehicle valued at \$5,875 was awarded to the police department by the courts. A private citizen also donated a vehicle to the police department valued at \$4,735.



**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

Additional information on the City of Santa Fe's capital assets can be found in Note 4 on pages 36 through 37 of this report.

**Long-Term Debt**

The City's outstanding long-term liabilities, which are comprised of capital lease obligations, compensated absences, and net pension obligation, totaled \$707,540 at September 30, 2009. The total amount was in governmental activities. The capital lease obligations decreased \$129,395 in the year ending September 30, 2009. This was a net result of new financing of \$119,329 and principal debt payments of \$248,724. The compensated absences had a net increase of \$27,870. A net pension obligation (NPO) originated in the 2008-09 year. The City was not able to contribute the full retirement rate for the fiscal year end 2009. This created an actual contribution that was less than the actuarially determined annual required contribution (ARC), resulting in a net pension obligation of \$35,862.

**Table 4 -Long-Term Debt**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Capital leases	\$ 223,563	\$ 352,958
Compensated absences	448,115	420,245
Net pension obligation	35,862	-
Total long-term debt	<u>\$ 707,540</u>	<u>\$ 773,203</u>

Additional information on the City of Santa Fe's long-term debt can be found in Note 6 on pages 37 through 39 of this report.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 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 2009/10 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 2009 tax rate remained the same as the 2008 tax rate of \$0.3114 per \$100 valuation, and consists entirely of maintenance and operations (M&O) with no debt service (I&S). The taxable value for 2009 is \$508,197,275, an increase of \$66,367,325 from last year's value of \$441,829,950. The value of new improvements and new personal property located in the City is \$6,629,614 constituting 8 percent of the increase in taxable value, and the value of properties in

**CITY OF SANTA FE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
SEPTEMBER 30, 2009**

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territory annexed after January 1, 2008, is \$75,643,263, constituting 92 percent of the increase in taxable value. Value loss from minerals totaled \$12,433,152, an 85 percent decrease from 2008, and value loss from protests totaled \$3,021,459. The City Council established a tax freeze on the property tax amount imposed on the residence homesteads of disabled individuals and individuals age 65 and older. The value of properties under the tax ceiling is \$72,111,479 or 14 percent of the taxable value, as compared to last year's value of \$67,393,070, or 15 percent of the taxable value.

- The City's second largest source of revenue in the general fund is sales tax. The city projects a marginal increase from the prior year budget of \$1,380,000 to \$1,536,000, or 11 percent.
- Other significant general revenues are building and permit fees and municipal court fines. The budget projection for license and permit fees for 2009/10 remains steady at \$127,270, consisting mainly of \$106,000 in development-related fees as compared to \$115,000 from development fees projected in fiscal year 2008/09. Municipal court fine budgeted revenues are expected to increase by about 18 percent, from \$275,000 to \$325,000 projected for the new fiscal year. Efforts to improve long-term collections are proving successful through the use of technology and programs designed to increase the collection rate.
- Budgeted interest earnings are projected to decrease more than 50 percent from 2008/09 from \$75,000 to \$35,000 as the global economic downturn remains in force.
- For the 2009/10 fiscal year, the City appropriated \$184,961 of the available fund balance for general fund spending. This leaves \$1,775,957 in estimated reserves, which is about 39 percent of general fund appropriations. The City's policy is to maintain general fund reserves of a least 3 months operating expenses, estimated to be \$1,135,227 for the 2009/2010 fiscal year, or 25 percent of operating expenses.
- If all budget estimates are realized, the total general fund unreserved fund balance is projected to be \$1,775,957 at September 30, 2010, an increase from last year's projection of \$1,488,828.

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.

***CONTACTING THE CITY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors, and other interested parties with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Santa Fe's City Manager or City Secretary at 12002 Highway 6, PO Box 950, Santa Fe, Texas 77510, or call 409-925-3558.

**BASIC FINANCIAL STATEMENTS**

**CITY OF SANTA FE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

**STATEMENT 1**

	Primary Government		Component Unit - Santa Fe Economic Development Corporation
	Governmental Activities	Total	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 224,760	\$ 224,760	\$ 2,360
Investments:			
Tex Pool	362,186	362,186	1,464,388
Logic	546,662	546,662	-
Receivables, net where applicable of allowance for uncollectibles:			
Property taxes, net	232,774	232,774	-
Municipal court assessments, net	77,936	77,936	-
Other	1,495,415	1,495,415	73,488
Prepaid expenses	29,513	29,513	-
Restricted assets:			
Cash and cash equivalents:			
Library expansion	18,286	18,286	-
Park development	280	280	-
Special purpose funds	224,282	224,282	-
Refundable deposits	115,500	115,500	-
Capital assets:			
Nondepreciable	250,048	250,048	-
Depreciable, net of accumulated depreciation	18,733,586	18,733,586	-
Construction in progress	-	-	-
<b>Total Assets</b>	<b>22,311,228</b>	<b>22,311,228</b>	<b>1,540,236</b>
<b>LIABILITIES</b>			
Accounts payable	416,532	416,532	-
Accrued salaries	74,273	74,273	-
Accrued payroll taxes	9,953	9,953	-
Refundable deposits	115,500	115,500	-
Deferred revenues:			
PG&E Pipeline settlement	22,000	22,000	-
Special purpose funds	224,282	224,282	-
Other	7,127	7,127	-
Noncurrent liabilities:			
Due within one year	183,809	183,809	183,416
Due in more than one year	491,160	491,160	461,892
<b>Total Liabilities</b>	<b>1,544,636</b>	<b>1,544,636</b>	<b>645,308</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 18,792,642	\$ 18,792,642	\$ -
Restricted for:			
Future budget requirements	184,961	184,961	717,912
Library expansion	18,286	18,286	-
Park development	280	280	-
Home Investment Partnerships Program	89	89	-
Infrastructure improvements	-	-	177,016
Unrestricted	1,770,334	1,770,334	-
<b>Total Net Assets (Deficit)</b>	<b>\$ 20,766,592</b>	<b>\$ 20,766,592</b>	<b>\$ 894,928</b>

See accompanying notes to basic financial statements.

CITY OF SANTA FE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government administration	\$ 520,667	\$ 15,150	\$ 16,560	\$ -
Tax	14,321	-	-	-
Community services	261,293	172,931	-	-
Judicial/Police	2,073,017	335,181	52,046	8,633
Fire Marshal	12,498	-	-	-
Public safety	1,183,226	-	1,127,950	-
Library	199,986	2,944	6,248	-
Streets	1,295,095	1,276	38,178	160,735
Parks	80,271	-	-	-
Community center	25,479	8,214	1,411	-
Interest on long term debt	13,593	-	-	-
Interest on short term borrowings	14,506	-	-	-
Substance Abuse and Mental Health				
Services (SAMHSA); Drug Free				
Communities Support Program	257,265	-	257,265	-
HOME Investment Partnerships Program	204,509	-	204,509	-
Texas Community Development				
Block Grant (TxCDBG)				
Supplemental Fund Program	190,509	-	190,509	-
<hr/>				
Total Primary Government				
Governmental Activities	\$ 6,346,235	\$ 535,696	\$ 1,894,676	\$ 169,368
<hr/>				
Component Unit				
Santa Fe Economic				
Development Corporation	\$ 98,794	\$ -	\$ -	\$ -
<hr/>				
Total Component Unit				
Governmental Activities	\$ 98,794	\$ -	\$ -	\$ -

General Revenues:

Taxes:

Property taxes, levied for general purposes

Sales tax

Franchise tax and contract fees

Restricted interest earnings

Unrestricted interest and investment earnings

Penalties and interest on property taxes

Gain (Loss) on sale of capital assets

Other revenues

Special Item:

Contribution to a Political Subdivision - Galveston County Water

Control and Improvement District No. 8 - water and sewer  
infrastructure improvements

Total general revenues and special item

Change in net assets

Net assets at beginning of year, as restated (See Note 12)

Net assets at end of year

See accompanying notes to basic financial statements.

STATEMENT 2

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>		<u>Component Unit</u>	
<u>Governmental</u>		<u>Santa Fe</u>	
<u>Activities</u>	<u>Total</u>	<u>Economic</u>	
		<u>Development</u>	
		<u>Corporation</u>	
\$ (488,957)	\$ (488,957)	\$	-
(14,321)	(14,321)		-
(88,362)	(88,362)		-
(1,677,157)	(1,677,157)		-
(12,498)	(12,498)		-
(55,276)	(55,276)		-
(190,794)	(190,794)		-
(1,094,906)	(1,094,906)		-
(80,271)	(80,271)		-
(15,854)	(15,854)		-
(13,593)	(13,593)		-
(14,506)	(14,506)		-
-	-		-
-	-		-
-	-		-
<u>(3,746,495)</u>	<u>(3,746,495)</u>		-
-	-		(98,794)
-	-		(98,794)
1,345,286	1,345,286		-
1,467,576	1,467,576		489,192
665,148	665,148		-
37	37		-
23,109	23,109		10,477
30,881	30,881		-
(4,153)	(4,153)		-
21,218	21,218		-
-	-		-
-	-		-
-	-		-
<u>3,549,102</u>	<u>3,549,102</u>		<u>499,669</u>
(197,393)	(197,393)		400,875
<u>20,963,985</u>	<u>20,963,985</u>		<u>494,053</u>
<u>\$ 20,766,592</u>	<u>\$ 20,766,592</u>	<u>\$</u>	<u>894,928</u>

See accompanying notes to basic financial statements.

**CITY OF SANTA FE, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	Special Revenue Funds		
	General Fund	Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program	Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnerships Program
<b>ASSETS</b>			
Cash and cash equivalents	\$ 224,671	\$ -	\$ 89
Investments:			
Tex Pool	362,186	-	-
Logic	546,662	-	-
Receivables, net where applicable of allowance for uncollectibles:			
Property taxes, net	232,774	-	-
Municipal court assessments, net	77,936	-	-
Due from other governments	1,120,014	-	-
Other	375,401	-	-
Prepaid items	29,513	-	-
Restricted assets:			
Cash and cash equivalents:			
Library expansion	18,286	-	-
Park development	280	-	-
Special purpose funds	224,282	-	-
Refundable deposits	115,500	-	-
<b>Total Assets</b>	<b>\$ 3,327,505</b>	<b>\$ -</b>	<b>\$ 89</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 416,532	\$ -	\$ -
Accrued salaries	74,273	-	-
Accrued payroll taxes	9,953	-	-
Refundable deposits	115,500	-	-
Deferred revenues:			
Property taxes	227,079	-	-
Municipal court assessments	65,170	-	-
PG&E Pipeline settlement	22,000	-	-
Special purpose funds	224,282	-	-
Other	7,127	-	-
<b>Total liabilities</b>	<b>1,161,916</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Reserved for:			
Future budget requirements	184,961	-	-
Library expansion	18,286	-	-
Park development	280	-	-
Encumbrances	3,146	-	-
Prepaid items	29,513	-	-
Unreserved, undesignated, reported in:			
General Fund	1,929,403	-	-
Special Revenue Fund	-	-	89
<b>Total fund balances</b>	<b>2,165,589</b>	<b>-</b>	<b>89</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,327,505</b>	<b>\$ -</b>	<b>\$ 89</b>

See accompanying notes to basic financial statements.

Special Revenue Funds

Texas Department of Public Safety's Division of Emergency Management; Federal Emergency Management Public Assistance Grant (FEMA); Hurricane Ike	Texas Department of Rural Affairs (TDRA); Texas Community Development Block Grant (TxCDBG) Supplemental Fund Program	Texas Department of Transportation (TxDOT); Federal Highway Administration's (FHWA) Emergency Relief (ER) Program - Hurricane Ike	Texas Department of Transportation; Selective Traffic Enforcement Program (STEP); 2009 Comprehensive	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 224,760
-	-	-	-	362,186
-	-	-	-	546,662
-	-	-	-	232,774
-	-	-	-	77,936
-	-	-	-	1,120,014
-	-	-	-	375,401
-	-	-	-	29,513
-	-	-	-	18,286
-	-	-	-	280
-	-	-	-	224,282
-	-	-	-	115,500
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,327,594</u>
\$ -	\$ -	\$ -	\$ -	\$ 416,532
-	-	-	-	74,273
-	-	-	-	9,953
-	-	-	-	115,500
-	-	-	-	227,079
-	-	-	-	65,170
-	-	-	-	22,000
-	-	-	-	224,282
-	-	-	-	7,127
-	-	-	-	1,161,916
-	-	-	-	184,961
-	-	-	-	18,286
-	-	-	-	280
-	-	-	-	3,146
-	-	-	-	29,513
-	-	-	-	1,929,403
-	-	-	-	89
-	-	-	-	2,165,678
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,327,594</u>

See accompanying notes to basic financial statements.



**CITY OF SANTA FE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

**STATEMENT 4**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 2,165,678

Amounts reported for governmental activities in the Statement of Net Assets (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.

Capital assets	\$ 32,810,056	
Less: Accumulated depreciation	<u>(13,826,422)</u>	18,983,634

Deferred property taxes and municipal court assessments earned and accrued in the current period but not received after 60 days is deferred in the fund statements but recognized under full accrual for governmental activities.

292,249

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Capital leases payable	(190,992)	
Compensated absences payable	(448,115)	
Net pension obligation	<u>(35,862)</u>	<u>(674,969)</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**IN THE STATEMENT OF NET ASSETS**

**\$ 20,766,592**

**CITY OF SANTA FE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Special Revenue Funds		
	General Fund	Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program	Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnerships Program
<b>Revenues</b>			
Taxes:			
Property	\$ 1,332,007	\$ -	\$ -
Franchise and contract fees	665,148	-	-
Sales tax	978,384	-	-
Sales tax - property tax reduction	489,192	-	-
Licenses and permits	172,931	-	-
Municipal fines and cash bond forfeits	317,982	-	-
Intergovernmental revenues	67,439	98,513	187,200
Interest income	23,145	-	-
Penalty and interest, property taxes	22,517	-	-
Other revenues	191,267	-	-
Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program	158,752	-	-
Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnerships Program	17,309	-	-
Texas Department of Rural Affairs (TDRA); Community Development Block Grant Supplemental Fund Program	9,259	-	-
Total revenues	<u>4,445,332</u>	<u>98,513</u>	<u>187,200</u>
<b>Expenditures</b>			
Current:			
General government administration	480,446	-	-
Tax	14,321	-	-
Community services	239,729	-	-
Judicial/Police	1,924,660	-	-
Fire Marshal	11,724	-	-
Public Safety	55,276	-	-
Library	187,852	-	-
Streets	541,559	-	-
Parks	74,702	-	-
Community center	18,299	-	-
Capital expenditures	437,911	-	-
Debt service:			
Principal retirement	225,961	-	-
Interest	28,098	-	-

(Continued)

See accompanying notes to basic financial statements.

## Special Revenue Funds

Texas Department of Public Safety's Division of Emergency Management; Federal Emergency Management Public Assistance Grant (FEMA); Hurricane Ike	Texas Department of Rural Affairs (TDRA); Texas Community Development Block Grant (TxCDBG) Supplemental Fund Program	Texas Department of Transportation (TxDot); Federal Highway Administration's (FHWA) Emergency Relief (ER) Program - Hurricane Ike	Texas Department of Transportation; Selective Traffic Enforcement Program (STEP); 2009 Comprehensive	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	1,332,007
-	-	-	-	665,148
-	-	-	-	978,384
-	-	-	-	489,192
-	-	-	-	172,931
-	-	-	-	317,982
1,115,928	181,250	72,206	12,974	1,735,510
-	-	-	-	23,145
-	-	-	-	22,517
-	-	-	-	191,267
-	-	-	-	158,752
-	-	-	-	17,309
-	-	-	-	9,259
<u>1,115,928</u>	<u>181,250</u>	<u>72,206</u>	<u>12,974</u>	<u>6,113,403</u>
16,560	-	-	-	497,006
-	-	-	-	14,321
-	-	-	-	239,729
4,034	-	-	12,974	1,941,668
-	-	-	-	11,724
1,055,744	-	72,206	-	1,183,226
-	-	-	-	187,852
38,179	-	-	-	579,738
-	-	-	-	74,702
1,411	-	-	-	19,710
-	-	-	-	437,911
-	-	-	-	225,961
-	-	-	-	28,098

See accompanying notes to basic financial statements.

**CITY OF SANTA FE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Special Revenue Funds</u>		
	<u>General Fund</u>	<u>Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program</u>	<u>Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnerships Program</u>
Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program -			
Personnel costs	\$ 4,415	\$ 36,000	\$ -
Fringe benefits	348	4,213	-
Travel	-	3,469	-
Supplies	1,878	3,663	-
Consultants/Contracts	4,200	50,323	-
Equipment	-	-	-
Other	147,911	845	-
Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnerships Program			
Administrative	-	-	7,200
Project construction costs	17,309	-	180,000
Texas Department of Rural Affairs (TDRA); Community Development Block Grant Supplemental Fund Program			
Administrative	-	-	-
Engineering	9,259	-	-
Rehabilitaion of private properties	-	-	-
Water facilities	-	-	-
Total expenditures	<u>4,425,858</u>	<u>98,513</u>	<u>187,200</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>19,474</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	1,299,621	98,513	-
Transfer out	(1,299,621)	(98,513)	-
Proceeds from sale of capital assets	-	-	-
Capital lease contracts	63,994	-	-
Total other financing sources (uses)	<u>63,994</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	83,468	-	-
<b>Fund balances at beginning of year, as restated (See Note 12)</b>	<u>2,082,121</u>	<u>-</u>	<u>89</u>
<b>Fund balances at end of year</b>	<u>\$ 2,165,589</u>	<u>\$ -</u>	<u>\$ 89</u>

See accompanying notes to basic financial statements.

Special Revenue Funds				
Texas Department of Public Safety's Division of Emergency Management; Federal Emergency Management Public Assistance Grant (FEMA); Hurricane Ike	Texas Department of Rural Affairs (TDRA); Texas Community Development Block Grant (TxCDBG) Supplemental Fund Program	Texas Department of Transportation (TxDot); Federal Highway Administration's (FHWA) Emergency Relief (ER) Program - Hurricane Ike	Texas Department of Transportation; Selective Traffic Enforcement Program (STEP); 2009 Comprehensive	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	40,415
-	-	-	-	4,561
-	-	-	-	3,469
-	-	-	-	5,541
-	-	-	-	54,523
-	-	-	-	-
-	-	-	-	148,756
-	-	-	-	7,200
-	-	-	-	197,309
-	30,175	-	-	30,175
-	42,300	-	-	51,559
-	-	-	-	-
-	108,775	-	-	108,775
1,115,928	181,250	72,206	12,974	6,093,929
-	-	-	-	19,474
1,115,928	-	72,206	12,974	2,599,242
(1,115,928)	-	(72,206)	(12,974)	(2,599,242)
-	-	-	-	-
-	-	-	-	63,994
-	-	-	-	63,994
-	-	-	-	83,468
-	-	-	-	2,082,210
\$ -	\$ -	\$ -	\$ -	\$ 2,165,678

See accompanying notes to basic financial statements.

**CITY OF SANTA FE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**STATEMENT 6**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 83,468

Amounts reported for governmental activities in the Statement of Activities  
(Statement 2) are different because:

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

Add: Capital outlay	\$ 437,912	
Deduct: Depreciation expense	<u>(852,446)</u>	(414,534)

Because some revenues will not be collected for several months after the City's  
fiscal year end, they are not considered "available" revenues and are deferred in  
the governmental funds. Deferred revenues increased (decreased) by these  
amounts this year:

Property taxes	21,643	
Municipal court assessments	<u>17,948</u>	39,591

Governmental funds report the issuance of debt as an "other financing source." In  
the governmental activities, however, the issuance of debt is reflected as a  
liability instead. (63,994)

Repayment of capital lease principal is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Assets  
and does not affect the Statement of Activities. 225,961

Certain expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as expenditures  
in governmental funds. -

Compensated absences	(27,870)	
Net pension obligation	<u>(35,862)</u>	(63,732)

The Statement of Activities reports a gain or loss on sale of capital assets  
based on the proceeds received and the net book value of the assets at the  
time of sale. The loss on disposal is calculated as follows:

Cost of assets disposed	(6,389)	
Accumulated depreciation of assets disposed	<u>2,236</u>	<u>(4,153)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ (197,393)

See accompanying notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

Based on the aforementioned criteria, the City of Santa Fe Section 4B Economic Development Corporation is the only component unit that should be included in the City’s basic financial statements. The Corporation will be discretely presented and the financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. Note disclosure related to the discretely presented component unit is presented as Note 13 of the Notes to Basic Financial Statements. The discretely presented component unit has a September 30 year end and only has governmental activities.

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

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

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

## B. Basic Financial Statements

### General

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

### Government-Wide Statements:

In the government-wide Statement of Net Assets information is reported on all the non-fiduciary activities of the primary government and its legally separate component unit. For the most part, the effect of interfund activity has been removed from this statement. The statement of net assets presents the governmental activities in a column on a consolidated basis and a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

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

### Fund Financial Statements:

Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that meet the qualifications of GASB Statement No. 34. In addition, the City has also presented all special revenue funds as major funds because the City believes the financial position and activities of these funds is significant since they are funded by federal grant money. The City will report the General Fund and the Special Revenue Funds as major funds, no non-major funds exist to be aggregated into a single column called "Other Governmental Funds."

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

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

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balances are generally included on the balance sheet. Revenues are recognized as soon as they are both measurable and



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available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. The City records property tax revenues and municipal court fines on the cash basis until year end, at which time receipts received within sixty days of year end are accrued and the remaining amount deferred until they become available. Sales taxes, which are subsequently remitted to the City, are recognized as revenues and receivables when collected by the authorized agents. Franchise tax revenue is also recognized by the City as revenue in the year it is measurable and available. Licenses and permit fees, fines and forfeits, and miscellaneous other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. For intergovernmental revenues related to expenditure – driven grants, revenues are recognized when the expenditure is made. Revenues from general purpose grants are recognized in the period to which the grant applies. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payments are due. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

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

The funds of the financial reporting entity are described below:

**Governmental Funds:**

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

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

**Special Revenue Fund** – special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes. All special revenue funds of the City are classified as major funds.

*Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program* - this special revenue fund is used to reduce substance abuse among youth; help community coalitions strengthen collaboration; enhance intergovernmental communication and coordination; enable communities to conduct data – driven research – based prevention planning; and provide communities with technical assistance, guidance, and financial support.

*HOME Investment Partnerships Program* – this special revenue fund is used to provide homeowner occupied assistance to qualifying individuals who have significant housing needs related to the rehabilitation and reconstruction of their principal residence.

*Federal Emergency Management (FEMA) Public Assistance Grant; Hurricane Ike* – this special revenue fund is used to provide disaster relief associated with Hurricane Ike.

*Texas Community Development Block Grant (TxCDBG) Supplemental Fund Program* – this special revenue fund will provide water system improvements including first-time service to Southwest Santa Fe near the Runge Park area.

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*Texas Department of Transportation (TxDOT) Highway Emergency Relief (ER) Program; Hurricane Ike* – this special revenue fund is used to provide assistance for Hurricane Ike damages on eligible roadways within the City.

*Selective Traffic Enforcement Program (STEP)* – this special revenue fund will provide funds for overtime activities and travel for officers to work strictly traffic enforcement in designated areas. This will result in an increase in effective enforcement and adjudication of traffic safety-related laws to reduce fatal and serious injury crashes.

**D. Cash and Cash Equivalents**

The City of Santa Fe's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

**E. Investments**

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

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

**F. Receivables**

Receivables at September 30, 2009 for the City's government-wide and governmental fund financial statements, including the applicable allowances for uncollectible amounts, consist of the following:

	<u>Receivables</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Receivables - Net of Allowance for Uncollectibles</u>
Property taxes	\$ 168,146	\$ 28,187	\$ 139,959
Property taxes - penalty and interest	126,825	34,010	92,815
Municipal court assessments	779,357	701,421	77,936
Due from other governments - specific program grants	1,120,014	-	1,120,014
Other:			
Franchise and contract fees	74,346	-	74,346
Sales tax	293,950	-	293,950
Miscellaneous	7,105	-	7,105
	<u>2,569,743</u>	<u>763,618</u>	<u>1,806,125</u>
Total	<u>\$ 2,569,743</u>	<u>\$ 763,618</u>	<u>\$ 1,806,125</u>

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Reported prepaid items at year-end are offset by a fund balance reserve account, since they do not represent expendable financial resources, even though they are a component of total assets.

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**H. Restricted Assets – Cash**

Certain cash and investments are segregated from operating cash due to certain internal and external restrictions. Contributions received for the Mae S. Bruce Library expansion have been restricted by the donors. Other revenues (special purpose funds and refundable deposits) are restricted to satisfy applicable legal and contractual provisions. The park development restricted cash has been restricted by council for the development of future parks.

**I. Capital Assets**

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation is shown in the governmental funds financial statements.

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

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

**J. Accounts Payable**

Accounts payable at September 30, 2009 in the government-wide and governmental fund financial statements are 81% vendors, 9% employer and employee retirement contributions, and 10% municipal court state costs collected and due the State Treasurer.

**K. Interfund Receivables, Payables, and Transfers**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds". Interfund transfers are used to

(1) move revenues from the fund that statute or budget requires receive the revenues to the fund that statute or budget requires expend them, or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### L. Compensated Absences

Annual vacation leave, according to a graduated scale based on years of employment is credited to employees as of January 1 annually. While it is the intent of the City that all earned vacation will be taken within a twelve month period by the employee, unused vacation hours can be deferred to the next 12 month period subject to approval by appropriate management. If an employee terminates after January 1 but before their anniversary date, unearned vacation may be owed to the City and is subject to deduction from the employee's final check. If an employee terminates after January 1 and after their anniversary date, additional vacation may be owed to the terminating employee.

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

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

#### M. Long-Term Obligations

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

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

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

#### N. Equity Classifications

In the government-wide financial statements, net assets are classified in the following categories:

- *Invested in capital assets, net of related debt* –This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted net assets* –This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose. A deficit will require future funding.

In the Fund financial statements, reserved fund balances are not available for appropriations because the City will use these resources within the next budgetary period or they have been legally segregated for specific purposes. Unreserved/Designated fund balances indicate that portion of fund balance for which the City has tentative plans than can be increased, reduced, or eliminated by action of City Council or Management. Unreserved/Undesignated fund balances

are that portion of fund balance that is available for appropriation and expenditure in future periods, or if a deficit, for which future funding will be required.

#### **O. Estimates**

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

### **NOTE 2 – DEPOSITS AND INVESTMENTS**

#### **Policy**

The City's Investment Policy specifies that depository services must be approved by City Council. The City Manager and City Secretary/Treasurer are designated as investment officers of the City and are responsible for investment decisions and activities. All deposits and investments of City funds shall be secured by pledged collateral. The collateralization level will be 102 per cent of market value of principal and accrued interest on the deposits or investments less an amount insured by FDIC. In accordance with its investment policy, the City manages its exposure to declines in fair market values by not investing in instruments that have a maturity of longer than one year. As of September 30, 2009, all of the City's investments were invested for a period of one year or less. It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA by a nationally recognized rating agency. Investment pools must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. The investments of the City are in compliance with the Council's investment policy. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments and deposits were complied with during the year. Investments at year end are representative of the types of investments maintained by the City during the year.

#### **Deposits**

Deposits were with the contracted depository bank in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and pledged by U. S. Government securities. The pledge agreement requires that the City have a first and prior lien on the securities to the extent of its funds on deposit and that none of the securities can be pledged or subjected to any lien other than that of the City. The City's deposits are categorized below to indicate the level of risk assumed by the City as of September 30, 2009:

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 risks* 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. By law, financial institutions must collateralize all public deposits.

At year-end, the City's carrying amount of deposits was \$582,708 and the bank balance was \$651,432. Of this bank balance, \$250,000 is covered by federal depository insurance. The remaining balance \$401,432 was collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name (Risk Category 3).

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

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	<u>Carrying Amount</u>
Demand and time deposits	\$ 582,708
Petty Cash	<u>400</u>
Total cash and cash equivalents	583,108
Less: restricted cash and cash equivalents	<u>(358,348)</u>
Unrestricted cash and cash equivalents	<u>\$ 224,760</u>

**Investments**

*TexPool* – The City is a participant in a Texas Local Government Investment Pool (*TexPool*) that has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two Acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller of Public Accounts exercises oversight responsibility over *TexPool*. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in *TexPool* and other persons who do not have a business relationship with *TexPool*. The Advisory Board members review the investment policy and management fee structure. Finally, *TexPool* is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, 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, Lehman Brothers, 600 Travis Street, Suite 7200, Houston, Texas 77002.

The City of Santa Fe had \$362,186 invested in *TexPool* as of September 30, 2009, at a 0.8122% average annual rate of return. *TexPool*’s portfolio is managed by Lehman Brothers, Inc. and Federated Investors, Inc. (“Lehman and Federated”), and the assets are safekept in a separate custodial account at State Street Bank in the name of *TexPool*. Its portfolio is made up of the following:

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

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TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets 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 risks, 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 program.

*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 net asset value and must take immediate action if the net asset value of the portfolio falls below \$0.995 or rises above \$1.005. These limitations are designed to minimize interest rate risk.

*LOGIC* – The City is a participant in a Local Government Investment Cooperative (LOGIC) that has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Cooperative's governing body is a five member Board of Directors in which two are advisory board members. 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 of Santa Fe participates in the LOGIC I Portfolio which seeks preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. In order to comply with the Public Funds Investment Act, all portfolios will maintain a AAA or equivalent rating from at least one nationally recognized rating agency. The Logic Portfolio has been assigned a rating of AAAm by Standard & Poor's. An explanation of the significance of such ratings may be obtained from Standard & Poor's, 1221 Avenue of the Americas, New York, New York 10041.

The City of Santa Fe had \$546,662 invested in LOGIC I as of September 30, 2009, at a 1.0714% average annual rate of return. The LOGIC I Portfolio is comprised of the following eligible investments:

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

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The Board has entered into a contract with First Southwest Asset Management, Inc. and JP Morgan Asset Management, Inc. to serve as Co-Administrators of the Cooperative. They will provide administrative, investment management, participant services, fund accounting, custodial services, and marketing services for the Cooperative. JP Morgan Chase Bank is the custodian for the Cooperation.

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

LOGIC I is deemed a "2a7-like Pool" under Governmental Accounting Standards Statement No. 31. The Cooperative will operate the portfolio in a manner consistent with Rule 2a7 in all respects. This rule provides an exception to the fair value reporting for investments. Approved investments are carried at cost, which approximates market and may be liquidated as needed. These investments are not subject to credit risk categorization since the Council is not issued securities, but rather owns an undivided beneficial interest in the securities of the Portfolio. The Portfolio is not secured by an insurance policy, federal deposit insurance, or other secondary guarantee and is subject to investment risk, including possible loss of principal amount invested.

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

*Interest rate risk* is the potential for a decline in market value due to rising interest rates. The Logic I Portfolio presents little interest rate risk. The effective dollar-weighted average portfolio maturity of the portfolio is 90 days or less (or fewer days if required to maintain its rating), and no instrument may have a term of more than 13 months. The Board has determined, in good faith, that it is 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 reasonable possible, the net asset value per unit of \$1.00.

**NOTE 3 – PROPERTY TAXES**

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

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

Property taxes represent a non-exchange transaction, in which the City receives value without directly giving equal value in return. In the government-wide financial statements, property taxes are recorded on the accrual basis, in which revenue is recognized in the fiscal year for which the taxes are levied. In the fund financial statements property taxes are recognized on the modified accrual basis of accounting. This basis of accounting requires that the taxes be both measurable and available to finance current year expenditures. Therefore, the taxes are recorded as revenue in the period levied to the extent they are collected 60 days of year-end. The balance sheet records the taxes as taxes receivable, net of an allowance for doubtful accounts, with a corresponding amount recorded as deferred revenue until they become available. All revenue is initially recorded in the General Fund and transferred to the appropriate authorized fund.



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NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance October 1	Increases	Decreases	Ending Balance September 30
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 250,048	\$ -	\$ -	\$ 250,048
Total capital assets not being depreciated	<u>250,048</u>	<u>-</u>	<u>-</u>	<u>250,048</u>
<i>Capital assets being depreciated:</i>				
Buildings	681,068	-	-	681,068
Building improvements	222,912	-	-	222,912
Computers	265,699	7,422	6,389	266,732
Equipment	1,097,168	9,535	-	1,106,703
Furniture and fixtures	11,164	-	-	11,164
Improvements (other than buildings)	69,462	2,852	-	72,314
Infrastructure	26,279,667	156,000	-	26,435,667
Infrastructure improvements	2,771,750	188,443	-	2,960,193
Radios	40,752	3,309	-	44,061
Vehicles	688,843	70,351	-	759,194
Total capital assets being depreciated	<u>32,128,485</u>	<u>437,912</u>	<u>6,389</u>	<u>32,560,008</u>
<i>Less accumulated depreciation for:</i>				
Buildings	275,069	17,079	-	292,148
Building improvements	154,466	15,020	-	169,486
Computers	132,593	38,996	2,236	169,353
Equipment	629,948	84,883	-	714,831
Furniture and fixtures	8,307	811	-	9,118
Improvements (other than buildings)	13,506	4,648	-	18,154
Infrastructure	11,099,089	441,527	-	11,540,616
Infrastructure improvements	306,999	185,967	-	492,966
Radios	23,488	3,213	-	26,701
Vehicles	332,747	60,302	-	393,049
Total accumulated depreciation	<u>12,976,212</u>	<u>852,446</u>	<u>2,236</u>	<u>13,826,422</u>
Total capital assets being depreciated, net	<u>19,152,273</u>	<u>(414,534)</u>	<u>4,153</u>	<u>18,733,586</u>
Governmental activities capital assets, net	<u>\$ 19,402,321</u>	<u>\$ (414,534)</u>	<u>\$ 4,153</u>	<u>\$ 18,983,634</u>

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

General government administration	\$	12,404
Community service		12,095
Police/Judicial		103,586
Library		9,654
Streets		700,552
Community center		5,769
Fire marshal		774
Parks		7,612
		<hr/>
Total depreciation expense - governmental activities	\$	<u>852,446</u>

**NOTE 5 – SHORT-TERM DEBT – REVOLVING LINE OF CREDIT**

The City of Santa Fe passed Resolution #2009-29 at their regular Council meeting on October 9, 2008. This resolution authorized a line of credit for cash flow purposes in an amount not to exceed \$2,000,000. These borrowed funds will be used to pay expenses related to disaster recovery operations related to Hurricane Ike. Any amounts borrowed shall be repaid immediately upon receipt of funds reimbursed to the City by the Federal Emergency Management Public Assistance Grant (FEMA). The City’s approved depository bank has agreed to loan money to the City on a “line of credit” basis at an interest rate of 3.64% on funds drawn.

Short-term debt activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Line of Credit	\$ -	\$ 1,200,000.00	\$ 1,200,000.00	\$ -

Total short-term borrowings interest expense for the period ended September 30, 2009, was \$14,506. The City does not anticipate any future draws against this line of credit.

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2009:

	<u>Beginning Balance October 1</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance September 30</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Capital lease obligations	\$ 352,958	\$ 119,329	\$ 248,724	\$ 223,563	\$ 183,809
Compensated absences	420,245	313,061	285,191	448,115	-
Net pension obligation	-	35,862	-	35,862	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Governmental Activities</b>					
Long-term liabilities	\$ 773,203	\$ 468,252	\$ 533,915	\$ 707,540	\$ 183,809

CITY OF SANTA FE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
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**Capital Lease Obligations:**

(1) One 2005 Gradall Telescopic Boom Excavator. Total purchase price of \$231,656, financed by Municipal Services Group, Inc., one annual payment of \$50,146, with no interest, and four annual payments of \$50,146, including interest at 4.12% through December 3, 2009.	\$ 48,161
(2) Three 2008 Ford Police Interceptors with mobile video systems, one 2008 U13 Ford Expedition, one dash mount mobile radio, two New Holland tractors with boom lever control mowers, and OSSI computer - aided dispatch software license. Total purchase price of \$292,634, financed by California First National Bank, one annual payment of \$100,928, with no interest, and two annual payments of \$100, 928, including interest at 3.510% through January 1, 2010.	97,506
(3) One 2009 Ford Police Crown Victoria with mobile video system, one Ford Crown Victoria for City Marshal, one 2009 Ford dump truck, one mobile radio, and eight dual antenna radars. Total purchase price of \$119,329, financed by Suntrust Equipment Finance and Leasing Corp., one annual payment of \$41,433, with no interest and two annual payments of \$41,433, including interest at 4.225% through April 15, 2011.	<u>77,896</u>
Total capital lease obligations	<u>\$ 223,563</u>

The City entered into capital lease agreements in order to purchase vehicles, computer software, mobile video cameras, and radios for the police department. They also purchased vehicles, an excavator, tractors, and mowers for the street department and computer software for community service.

Vehicles	\$ 135,354	
Less: Accumulated depreciation	<u>17,035</u>	
Net vehicles		\$ 118,319
Equipment	367,169	
Less: Accumulated depreciation	<u>112,211</u>	
Net equipment		254,958
Computers	57,771	
Less: Accumulated depreciation	<u>21,183</u>	
Net computers		36,588
Radios	6,405	
Less: Accumulated depreciation	<u>654</u>	
Net radios		<u>5,751</u>
Capitalized leased assets, net		<u>\$ 415,616</u>

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The following is a schedule of future minimum lease payments on the capital leases and the present value of the net minimum lease payments at September 30, 2009:

	<u>Governmental Activities</u> <u>Capital Leases</u>	
<b>Year Ended September 30:</b>		
2010	\$	192,507
2011		41,433
2012		-
2013		-
2014 and future		-
		<hr/>
Total principal and interest		233,940
Less: Amount representing interest		<hr/> 10,377
Total future principal payments	\$	<u><u>223,563</u></u>

**Net Pension Obligation:**

A net pension obligation (NPO) originated in the 2008-09 year. The City was not able to contribute the full retirement rate for the fiscal year end 2009. This created an actual contribution that was less than the actuarially determined annual required contribution (ARC), and therefore, a net pension obligation of \$35,862 originated. The City of Santa Fe has been allowed to phase-in the higher contribution rate over an eight-year period beginning January 1, 2009. The net pension obligation in future years financial statements will be adjusted to reflect the difference between actual contributions paid and annual required contributions for that year.

The capital lease obligation payments, compensated absences liability, and net pension obligation will be liquidated by the General Fund.

**NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES**

In both the government-wide and governmental fund financial statements no interfund receivable or payable transactions occurred during the course of operations, and none existed as of September 30, 2009.

**NOTE 8 – INTERFUND TRANSFERS**

Interfund transfers are transactions between funds transferring funds out of one fund to support the operations of another fund. The transfers made during the year were made from unrestricted revenues collected in the General Fund to finance various grant program expenditures accounted for in the Special Revenue Fund. Upon receipt of reimbursements from the appropriate state or federal agencies, the Special Revenue Fund transferred the funds back to the General Fund.

Interfund transfers during the year ended September 30, 2009 were as follows:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,299,621	\$ 1,299,621
Special Revenue Fund	<u>1,299,621</u>	<u>1,299,621</u>
Total	<u><u>\$ 2,599,242</u></u>	<u><u>\$ 2,599,242</u></u>

#### NOTE 9 – RISK MANAGEMENT

During the normal course of business, the City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. This pool is a risk-sharing pool providing insurance coverage to 2,648 Texas municipalities and other governmental units as of September 30, 2009. 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. During the year ended September 30, 2009, the City paid out of its General Fund net premiums of approximately \$50,454 for provisions of various liability, property, and casualty insurance. The City has various deductible amounts ranging from \$1,000 to \$10,000 on various policies. TML will pay damages and claims subject to the limits of liability and stated deductible amounts per the approved declarations of coverage. Amounts over the stated limits of liability become the responsibility and risk of the City. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At year-end, the City did not have any significant probable claims.

The City also provides workers compensation insurance on its employees through TML. TML covers workers compensation claims up to the statutory limit. The City has no deductible for these claims. During the fiscal year ended September 30, 2009, the City contributed out of its General Fund net premiums of approximately \$46,177 for workers compensation. The contributed amount is based on the City's estimated payroll applied to a classification rate determined by TML, times the City's experience modifier and fund discount. Workers compensation is subject to change when audited by TML. At year-end September 30, 2009, the City believed the amounts paid would not change significantly from the amounts recorded.

The Texas Municipal League Intergovernmental Employee Benefits Pool (TML-IEBP) provides the city's health, dental, and long-term disability insurance coverage for eligible employees and their dependents. The City pays 100 percent of the premiums for the employee's 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 employee's 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 10 – CONTINGENT LIABILITIES

##### Grants

The City receives financial assistance from federal, state, and local government agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the City of Santa Fe, Texas at September 30, 2009.

### Litigation

The City is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

### NOTE 11 – PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM

#### Plan Description

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 through a non-traditional, joint contributor, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information (RSI) for the TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8611. In addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

#### Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for services since the plan began are 100% of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for services since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at age 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

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The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year</u> <u>2008</u>	<u>Plan Year</u> <u>2009</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	290,979
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	290,979
Contributions Made	(255,117)
Increase (decrease) in net pension obligation	35,862
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	35,862

City historical data is as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution</u> <u>Made</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation/</u> <u>(Asset)</u>
2007	\$ 239,497	\$ 239,497	100%	\$ -
2008	274,908	274,908	100%	-
2009	290,978	255,116	88%	35,862

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The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation date	12/31/2006	12/31/2007	12/31/2008
Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period (in years)	25 years; open period	30 years; closed period	29 years; closed period
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial assumptions:			
Investment rate of return*	7.0%	7.0%	7.5%
Projected salary increases*	Varies by age & service	Varies by age & service	Varies by age & service
*Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	NA	2.1%	2.1%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1) / (2)	Unfunded AAL (UAAL) (4) (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/2008	\$ 3,286,283	\$ 5,901,845	55.7%	\$ 2,615,562	\$2,503,388	104.5%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE 12- RESTATEMENTS**

The following restatements were made to beginning net assets and/or fund balances:

- Penalties and interest on property taxes receivable were accrued for the fiscal year ending September 30, 2009. The effects of the adjustment include an increase in beginning net assets in the amount of \$84,450. Total net assets increased from \$20,879,535 to \$20,963,985.
- Accrued compensated absences were eliminated from the fund statements in the amount of \$140,045 as of September 30, 2009. The restatement resulted in an increase of fund balance from \$1,942,076 to \$2,082,121.



NOTE 13 – DISCLOSURES RELATED TO DISCRETELY PRESENTED COMPONENT UNIT

A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Santa Fe Section 4B Economic Development Corporation have been prepared in accordance with generally accepted accounting principles accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (“FASB”) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The Corporation is a non-profit economic development corporation created and organized under the Constitution and laws of the State of Texas, particularly the Development Corporation Act of 1979, Article 5190.6 Section 4B, *Vernon’s Texas Civil Statutes*, as amended. The Corporation is governed by Section 4B of the Act and is a constituted authority and instrumentality of the City of Santa Fe, Texas.

In an election held on May 5, 2001, the qualified voters of the City of Santa Fe approved Proposition 1 adopting an additional one-half of one percent (1/2 cent) sales and use tax. The additional sales and use tax will be held by an economic development corporation for specifically identified economic development projects as authorized by Section 4B of the Act. The sales and use tax becomes effective on October 1, 2001.

The Corporation was created on July 12, 2001, by the City Council of the City of Santa Fe to act on behalf of the City to promote and develop specific economic development projects. The Secretary of State approved the Articles of Incorporation on July 26, 2001.

The Corporation is governed by a board of seven directors. All directors are appointed by the City Council of the City of Santa Fe for a term of two years. The City of Santa Fe shall approve all programs and expenditures of the corporation and shall annually review any financial statements of the corporation. The powers of the corporation shall be subject at all times to the control of the city’s governing body and the city has the authority to alter the structure, organization, programs, or activities of the development corporation at any time.

The Board of Directors of the Corporation signed an Administrative Services Agreement with the City of Santa Fe to provide administrative and program support services to the Economic Development Corporation as requested by the Board of Directors. The purpose of the agreement is to have the City implement, administer, and carry out the duties that an executive director would have in administering the economic programs and to manage and administer such affairs of the Economic Development Corporation. The agreement is for a period of one year and payments shall be made in one-fourth increments and due at the end of each calendar quarter.

The Corporation is exempt from federal income tax as an organization described in Section 501C (3) of the Internal Revenue Code. The State Comptroller’s office has treated Section 4B development corporations as exempt from state and local sales tax and state franchise tax.

**A-1. Reporting Entity**

In accordance with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity,” the Corporation’s basic financial statements must present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Corporation’s basic financial statements to be misleading or incomplete. The basic criteria used to determine component units is (1) the selection of the governing authority, (2) designation of management, (3) ability to significantly influence operations, (4) accountability for fiscal matters, (5) budgetary and taxing authority, and (6) funding and debt responsibility. Based on these criteria, the Corporation did not have any component units that should be included in the accompanying basic

financial statements. However, the Corporation is considered to be, and is reported as, a component unit of the City of Santa Fe, Texas.

## A-2. Basic Financial Statements

### General

The Corporation's basic financial statements include both government-wide (reporting the Corporation as a whole) and fund financial statements (focusing on the Corporation's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Corporation's activities are all governmental in nature and no business type activities exist.

### Government-Wide Statements:

In the government-wide Statement of Net Assets information is reported on all the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from this statement. The statement of net assets presents the governmental activities in a column on a consolidated basis and a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Corporation's net assets are reported in two parts – invested in capital assets, net of related debt and restricted net assets for infrastructure improvements.

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

### Fund Financial Statements:

Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. The Corporation only has one major fund (General Fund) and no nonmajor funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. A statement is presented in the basic financial statements to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide financial statements.

## A-3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the Corporation's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred; regardless of the timing of related cash flows.

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balances are generally included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if

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they are collected within sixty days of the end of the current fiscal period. The Corporation records sales tax, which is subsequently remitted, as revenues and receivables when collected by the authorized agents.

The funds of the financial reporting entity are described below:

**Governmental Funds:**

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

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

**A-4. Cash and Cash Equivalents**

The Economic Development Corporation's cash and cash equivalents are comprised of demand deposits.

**A-5. Investments**

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

Investments for the Corporation are reported at fair value and are in compliance with the Corporation 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.

**A-6. Receivables**

The Corporation's receivables in both the government-wide and governmental funds financial statements are made up of local sales tax due from the Comptroller of Public Accounts. No allowance for uncollectible has been set up since this amount has been received in the subsequent year.

**A-7. Capital Assets**

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation is shown in the governmental funds financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, drainage systems and similar items) are reported at cost or estimated historical cost, including all ancillary charges necessary to place the asset in its intended location and condition for use. Donated capital assets are reported at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest costs related to a capital asset or incurred during the construction phase of a capital asset is expensed and not capitalized.

**CITY OF SANTA FE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**SEPTEMBER 30, 2009**

Capital assets are defined for financial statement purposes as assets with an estimated economic useful life in excess of one year and meet specific capitalization thresholds. They are depreciated using the straight line method of depreciation. The following represents the useful life and capitalization threshold of the Corporation's capital assets:

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

**A-8. Accounts Payable**

Accounts payable in the government-wide and governmental fund financial statements are 100% due to vendors.

**A-9. Long-Term Obligations**

All long-term obligations of the Corporation relate directly to governmental fund activities. The Corporation does not have any proprietary fund operations or business-type activities.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of Economic Development Bonds, Series 2002.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**A-10. Equity Classifications**

In the Government-Wide Statements, equity is classified as net assets and displayed in two components:

- *Invested in capital asset* – Consists of capital assets including restricted capital assets, net of accumulated depreciation. No debt is related to the capital assets.
- *Restricted net assets* – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

In the Fund Financial Statements, reserves and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. The various reservations and designations are established by actions of the Board of Directors and Management and can be increased, reduced or eliminated by similar actions. As of September 30, 2009, fund balances are described below:

- *Reserved for, future budget requirements* – The Board of Directors and Management have reserved and made available a portion of fund balance for subsequent year appropriations.
- *Unreserved, designated for infrastructure improvements* – The Board of Directors have established a guide for funding Economic Development Projects. The Board has determined that the funds will be used on the public works infrastructure improvements, with primary emphasis on water/wastewater expansion and with secondary emphasis on drainage, streets and roads, including maintenance and operating expenses for projects developed with economic development funds designated to promote new or expanded business enterprises. The funds will also be used for administrative support including accounting and financial management activities.

#### A-11. Estimates

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

### B. – DEPOSITS AND INVESTMENTS

#### Policy

The Economic Development Corporation follows the same investment policy that has been approved by the City of Santa Fe City Council. The City Manager and Secretary/Treasurer are designated as investment officers and are responsible for investment decisions and activities. All deposits and investments are required to be secured by pledged collateral. The collateralization level is 102 percent of market value of principal and accrued interest on the deposits or investments less an amount insured by FDIC.

#### Deposits

The Corporation's deposits were with the contracted depository bank in interest bearing accounts. The deposits are not commingled with the City of Santa Fe funds. All amounts are subject to various State statutes that exist to secure the safety of public funds. A pledge agreement exists that requires the Corporation to 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 Corporation. The Corporation's deposits are categorized below to indicate the level of risk assumed by the Corporation as of September 30, 2009:

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

For deposits, *custodial credit risk* is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. Protection of Corporation 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. By law, financial institutions must collateralize all public deposits.

At year-end, the Corporation's carrying amount of deposits was \$2,360 (all considered cash and cash equivalents) and the bank balance was \$5,975. The total bank balance is covered by \$250,000 of federal depository insurance (Risk Category 1). The Corporation does not have any petty cash at the year-end.

## Investments

*TexPool* – The Corporation is a participant in a Texas Local Government Investment Pool (TexPool), an external investment pool that has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two Acts provide for the creation of public funds investments pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, 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, Lehman Brothers, 600 Travis Street, Suite 7200, Houston, Texas, 77002.

The Economic Development Corporation had \$1,464,388 invested in TexPool as of September 30, 2009, at a .812% average annual rate of return. TexPool's portfolio is managed by Lehman Brothers, Inc. and Federated Investors, Inc. ("Lehman and Federated"), and the assets are safekept in a separate custodial account at State Street Bank in the name of TexPool. Its portfolio is made up of the following:

1. Obligations of the United States Government, its agencies and instrumentalities with a maximum final maturity of 397 days for fixed rate securities and 24 months for variable rate notes.
2. Fully collateralized repurchase agreements or reverse repurchase agreements (a) with defined termination dates, (b) secured by obligations of the United States, its agencies, or its instrumentalities, including certain mortgage-backed securities, (c) that require purchased securities to be pledged to the investing entity, in the entity's name, and deposited at the time of investment with the investing entity or a third party, and (d) that are placed through primary government securities dealers, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas. The term of a reverse repurchase agreement may not exceed 90 days after the date of delivery. The maximum maturity on repurchase agreements may not exceed 181 days.
3. No-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. The money market mutual fund must maintain a dollar-weighted average stated maturity of 90 days or less and include in its investment objectives the maintenance of a stable net asset value of \$1.00.
4. Securities lending program that comply with various limitations.

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

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets 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.

CITY OF SANTA FE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (CONTINUED)  
 SEPTEMBER 30, 2009

*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 net asset value and must take immediate action in 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.

**C. – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance October 1	Increases	Decreases	Ending Balance September 30
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land - property owners easement contributions	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
<i>Capital assets being depreciated:</i>				
Less accumulated depreciation	-	-	-	-
Total capital assets being depreciated, net	-	-	-	-
Governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ -

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

**D. – LONG-TERM DEBT**

Long-term liability activity for the year ended September 30, 2009 was as follows:

	Beginning Balance October 1	Additions	Payments	Ending Balance September 30	Due Within One Year
<b>Governmental Activities</b>					
Economic Development Bonds, Series 2002	\$ 819,364	\$ -	\$ 174,056	\$ 645,308	\$ 183,416

*Economic Development Bonds, Series 2002*

On August 27, 2003, the Corporation approved a resolution authorizing the issuance of \$1.9 million of special revenue bonds, secured by a one-half cent sales tax and issued serially, to be used for the construction of water and sewer lines. The sales tax, approved in an election held on May 3, 2003 by the citizens of the City of Santa Fe, Texas, was adopted for "public works infrastructure improvements, specifically water/wastewater expansion, drainage, and street and roads." The bonds bear interest from the date of delivery to their dates of maturity or redemption prior to maturity at 5.20% per annum.

**CITY OF SANTA FE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**SEPTEMBER 30, 2009**

Principal and interest are payable on the first day of December, March, June, and September. The bonds mature between December 1, 2002 and September 1, 2014.

The bond indenture contains significant limitations and restrictions on quarterly debt service requirements, maintenance of and flow of monies through restricted accounts, and minimum amounts to be maintained in interest and sinking funds. The Corporation is substantially in compliance with all such significant limitations and restrictions.

The following is a schedule of future General Long-Term Debt payments as of September 30, 2009:

	<b>Economic Development Bonds Series 2002</b>	
<b>Year Ended September 30:</b>	<hr/>	
2010	\$	213,832
2011		213,832
2012		213,832
2013		65,828
2014 and future		<hr/> -
Total principal and interest		707,324
Less: Amount representing interest		<hr/> (62,016)
Total future principal payments	\$	<hr/> <hr/> 645,308

**E. – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is expected to be liquidated after one year, they are classified as “advances to other funds” or “advances from other funds.” Interfund transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

As of September 30, 2009, no amounts were reported as interfund receivables, payables, or transfers in the government-wide or governmental fund financial statements.

**F. – RISK MANAGEMENT**

During the normal course of business, the Corporation is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors or omissions; and natural disasters. The Corporation has been included as a “covered party” of the City of Santa Fe’s insurance coverage and is entitled to all the declarations of coverage available to the City. The City’s risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk Pool. This pool is a risk-sharing pool providing insurance coverage to 2,648 Texas municipalities and other governmental units as of September 30, 2009. 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 in its 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 related to the City or the Corporation has not exceeded insurance coverage for any of the last three years. All insurance premiums are paid by the City of Santa Fe through their General Fund. During the year ended September 30, 2009, the City paid net



**CITY OF SANTA FE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**SEPTEMBER 30, 2009**

premiums of approximately \$50,454 for provisions of various liability, property, and casualty insurance. The City has coverage deductibles 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 in accordance with the approved declarations of coverage. Amounts over the stated limits of liability become the responsibility and risk of the City of Santa Fe or the Economic Development Corporation. 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, neither the City nor the Corporation had any significant probable claims.

The Corporation does not have any employees, therefore, workers compensation and other employee benefit insurances are not necessary.

**G. – COMMITMENTS & CONTINGENT LIABILITIES**

Interlocal Agreement

Water and Sewer Infrastructure Construction, Improvements, and Relocation Commitment

The Economic Development Corporation approved an interlocal agreement with Galveston County Water Control and Improvement District No. 8 (WCID No. 8) on August 19, 2008. The Corporation will contribute funds for the construction, surveying, consulting, and related costs of certain public water and sewer improvements on the west side of FM 646 from Lamar Lane to 6<sup>th</sup> Street, not to exceed a total of thirty-five thousand dollars (\$35,000). A total amount of \$34,982 was contributed during the 2008-09 year to fulfill the Corporation's commitment per the interlocal agreement. The Corporation will also contribute funds for the construction, surveying, engineering, and related costs of relocating and adding water and sewer lines to FM 646, Texas State Highway 6, and FM 646, not to exceed a total of one million dollars (\$1,000,000). This amount has not been paid or recorded in the 2008-09 year financial statements but has been appropriated in the 2009-10 Economic Development Corporation budget.

Litigation

There are no lawsuits pending against the Corporation that would in the opinion of management and legal counsel result in claims that would have a material effect on the financial statements of the Corporation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SANTA FE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT 1**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 1,331,012	\$ 1,331,012	\$ 1,332,007	\$ 995
Franchise and contract fees	661,000	661,000	665,148	4,148
Sales tax	920,000	1,000,000	978,384	(21,616)
Sales tax - property tax reduction	460,000	500,000	489,192	(10,808)
Licenses and permits	137,400	110,900	172,931	62,031
Municipal finds and cash bond forfeits	278,000	330,911	317,982	(12,929)
Intergovernmental revenues	58,046	46,046	67,439	21,393
Interest income	75,000	24,000	23,145	(855)
Penalty and interest, property taxes	30,000	30,000	22,517	(7,483)
Other revenues	19,700	28,856	191,267	162,411
Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program - Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnership Program	-	143,844	158,752	14,908
Texas Department of Rural Affairs (TDRA); Community Development Block Grant Supplemental Fund Program	-	15,481	17,309	1,828
	-	70,000	9,259	(60,741)
Total revenues	<u>3,970,158</u>	<u>4,292,050</u>	<u>4,445,332</u>	<u>153,282</u>
<b>Expenditures</b>				
Current:				
General government administration	475,708	476,648	480,446	(3,798)
Tax	16,442	16,442	14,321	2,121
Community services	265,567	265,567	239,729	25,838
Judicial/Police	1,963,071	1,973,372	1,924,660	48,712
Fire Marshal	14,531	14,531	11,724	2,807
Public Safety	57,011	57,255	55,276	1,979
Library	186,982	193,453	187,852	5,601
Streets	591,473	558,491	541,559	16,932
Parks	112,476	112,476	74,702	37,774
Community center	21,470	20,059	18,299	1,760
Capital expenditures	286,469	391,336	437,911	(46,575)
Debt service:				
Principal retirement	229,910	1,428,710	225,961	1,202,749
Interest	13,592	30,492	28,098	2,394
Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program -				
Personnel cost	-	2,171	4,415	(2,244)
Fringe benefits	-	176	348	(172)
Travel	-	-	-	-
Supplies	-	1,206	1,878	(672)
Consultants/Contracts	-	4,200	4,200	-
Equipment	-	-	-	-
Other	-	136,090	147,911	(11,821)

(Continued)

See notes to required supplementary information.

## SCHEDULE OF REVENUES, EXPENDITURES AND

## CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
Texas Department of Housing and Community Affairs (TDHCA); HOME Investment Partnerships Program - Administrative	-	-	-	-
Project construction costs	-	15,482	17,309	(1,827)
Texas Department of Rural Affairs (TDRA); Community Development Block Grant Supplemental Fund Program - Administrative	-	-	-	-
Engineering	-	-	9,259	(9,259)
Rehabilitation of private properties	-	-	-	-
Water facilities	-	-	-	-
Total expenditures	<u>4,234,702</u>	<u>5,698,157</u>	<u>4,425,858</u>	<u>1,272,299</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (264,544)</b>	<b>\$ (1,406,107)</b>	<b>\$ 19,474</b>	<b>\$ 1,425,581</b>
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	1,299,621	1,299,621
Transfer out	-	-	(1,299,621)	(1,299,621)
Proceeds from sale of capital assets	-	-	-	-
Capital lease contracts	-	119,329	63,994	(55,335)
Issuance of debt - line of credit proceeds	-	1,200,000	-	(1,200,000)
Appropriated fund balance	<u>264,544</u>	<u>168,301</u>	<u>-</u>	<u>(168,301)</u>
Total other financing sources (uses)	<u>264,544</u>	<u>1,487,630</u>	<u>63,994</u>	<u>(1,423,636)</u>
<b>Net change in fund balances</b>	<b>-</b>	<b>81,523</b>	<b>83,468</b>	<b>1,945</b>
<b>Fund balances at beginning of year</b>	<u>2,082,121</u>	<u>2,082,121</u>	<u>2,082,121</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 2,082,121</u>	<u>\$ 2,163,644</u>	<u>\$ 2,165,589</u>	<u>\$ 1,945</u>

See notes to required supplementary information.

*SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - DRUG FREE COMMUNITIES SUPPORT PROGRAM  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental revenues:				
Department of Health and Human Services Grant	\$ -	\$ 100,000	\$ 98,513	\$ (1,487)
Total revenues	-	100,000	98,513	(1,487)
<b>Expenditures</b>				
Current:				
Personnel costs	-	36,000	36,000	-
Fringe benefits	-	4,271	4,213	58
Travel	-	5,341	3,469	1,872
Supplies	-	3,239	3,663	(424)
Consultants/Contracts	-	50,725	50,323	402
Equipment	-	-	-	-
Other	-	424	845	(421)
Total expenditures	-	100,000	98,513	1,487
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	98,513	98,513
Transfer out	-	-	(98,513)	(98,513)
Total other financing sources (uses)	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balances at beginning of year</b>	-	-	-	-
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

*SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - HOME INVESTMENT PARTNERSHIPS PROGRAM  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental revenues:				
Texas Department of Housing and Community Affairs Grant	\$ -	\$ 187,200	\$ 187,200	\$ -
Total revenues	-	187,200	187,200	-
<b>Expenditures</b>				
Current:				
Administrative costs	-	7,200	7,200	-
Project construction costs	-	180,000	180,000	-
Total expenditures	-	187,200	187,200	-
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balances at beginning of year</b>	-	-	-	-
<b>Fund balances at end of year</b>	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - FEDERAL EMERGENCY MANAGEMENT PUBLIC  
ASSISTANCE GRANT (FEMA); HURRICANE IKE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues:				
Texas Department of Public Safety's Emergency Management Grant/ Hurricane Ike	\$ -	\$ 1,176,611	\$ 1,115,928	\$ (60,683)
Total revenues	-	1,176,611	1,115,928	(60,683)
<b>Expenditures</b>				
Current:				
General government administration - personnel	-	16,560	16,560	-
Judicial/Police - personnel, personnel benefits, equipment, and building repairs	-	4,034	4,034	-
Streets-personnel, personnel benefits, equipment, and building repairs	-	38,179	38,179	-
Public Safety - special services (professional / contract services)	-	1,127,950	1,055,744	72,206
Community center - building repairs	-	1,411	1,411	-
Total expenditures	-	1,188,134	1,115,928	72,206
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(11,523)	-	11,523
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	1,115,928	1,115,928
Transfer out	-	-	(1,115,928)	(1,115,928)
Total other financing sources (uses)	-	-	-	-
<b>Net change in fund balances</b>	-	(11,523)	-	11,523
<b>Fund balances at beginning of year</b>	-	-	-	-
<b>Fund balances at end of year</b>	\$ -	\$ (11,523)	\$ -	\$ 11,523

See notes to required supplementary information.

*SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - TEXAS COMMUNITY DEVELOPMENT BLOCK  
GRANT (TxCDBG) SUPPLEMENTAL FUND PROGRAM  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues:				
Texas Department of Rural Affairs Grant	\$ -	\$ 350,000	\$ 181,250	\$ (168,750)
Total revenues	-	350,000	181,250	(168,750)
<b>Expenditures</b>				
Current:				
Water facilities	-	292,050	108,775	183,275
Rehabilitation of private properties	-	43,450	-	43,450
Engineering/Architectural service	-	49,000	42,300	6,700
General administration	-	35,500	30,175	5,325
Total expenditures	-	420,000	181,250	238,750
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(70,000)	-	70,000
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>Net change in fund balances</b>	-	(70,000)	-	70,000
<b>Fund balances at beginning of year</b>	-	-	-	-
<b>Fund balances at end of year</b>	\$ -	\$ (70,000)	\$ -	\$ 70,000

See notes to required supplementary information.



## CITY OF SANTA FE, TEXAS

EXHIBIT 6

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 SPECIAL REVENUE FUND - FEDERAL HIGHWAY ADMINISTRATION (FHWA)  
 EMERGENCY RELIEF (ER) PROGRAM - HURRICANE IKE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental revenues:				
Texas Department of Transportation - Federal Highway Emergency Relief (ER) - Hurricane Ike	\$ -	\$ -	\$ 72,206	\$ 72,206
Total revenues	-	-	72,206	72,206
<b>Expenditures</b>				
Current:				
Public safety - special services (professional/contract services)	-	-	72,206	(72,206)
Total expenditures	-	-	72,206	(72,206)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	72,206	72,206
Transfer out	-	-	(72,206)	(72,206)
Total other financing sources (uses)	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balances at beginning of year</b>	-	-	-	-
<b>Fund balances at end of year</b>	\$ -	\$ -	\$ -	\$ -

**Note to Schedule:**

This fund was created to account for damages on eligible roadways within the City of Santa Fe related to Hurricane Ike in September, 2008.

The City was unable to adopt a budget for the fund due to late notification that it was eligible for these federal grant funds.

See notes to required supplementary information.

*SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - SELECTIVE TRAFFIC  
ENFORCEMENT PROGRAM (STEP); 2009 COMPREHENSIVE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues:				
Texas Department of Transportation Grant	\$ 24,000	\$ 24,000	\$ 12,974	\$ (11,026)
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>12,974</u>	<u>(11,026)</u>
<b>Expenditures</b>				
Current:				
Judicial/Police				
Law enforcement overtime labor costs (salaries only)	<u>24,000</u>	<u>24,000</u>	<u>12,974</u>	<u>11,026</u>
Total expenditures	<u>24,000</u>	<u>24,000</u>	<u>12,974</u>	<u>11,026</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfer in	-	-	12,974	12,974
Transfer out	-	-	(12,974)	(12,974)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

## BUDGETARY INFORMATION

Annual budgets are legally adopted for the General Fund and Special Revenue Funds on a basis consistent with generally accepted accounting principles. The City follows the procedures described below in establishing the budgetary data reflected in the financial statements.

On or before the first meeting of July of each year, the City Manager submits to the Council a proposed budget for the ensuing fiscal year and the budget message. The Council reviews and makes any appropriate changes to these documents prior to publishing the final budget. The Council holds a public hearing, not less than ten days subsequent to the time the budget is filed, to obtain taxpayer comments. At the conclusion of the hearing, the budget is acted upon by Council. Adoption of the budget constitutes appropriation of the amounts specified in the budget as expenditures from the funds indicated and constitutes a levy of the proposed property tax contained in the budget.

Expenditures, on the departmental level, should not exceed appropriations. However, the City Manager may transfer any unencumbered appropriation balance or any portion thereof among programs within a department. By ordinance, the City Council may transfer all or part of any unencumbered appropriation balance from one department to another. Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if three years pass without any disbursement from or encumbrance of the appropriation. Additionally, by ordinance, the City Council may amend the budget to make supplemental appropriations to (1) carry excess current revenues to a subsequent year, (2) to retire indebtedness, or (3) to fund emergency appropriations due to grave public necessity, or to meet unusual and unforeseen conditions which could not be reasonable diligent thought and attention have been included in the original budget.

On December 9, 1993, the City adopted a resolution establishing a budget policy. One provision of the policy allows the budget to contain a contingency fund not to exceed five percent of the proposed general fund expenditures. This fund may, at the approval of City Council, be used to fund certain unanticipated expenditures which might arise during the year.

Another provision of the policy addresses fund balance. The City will attempt to maintain a fund balance equal to approximately three months' operating expenditures.

The original budget was legally adopted by the City Council on September 11, 2008. Passed, approved, and adopted by the City Council was Ordinance Number 09 - 2009 on June 25, 2009. This ordinance contained legal budget amendments.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances lapse at year-end and are re-appropriated in the ensuing year's budget.

**CITY OF SANTA FE, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**(CONTINUED)**  
**SEPTEMBER 30, 2009**

For the year ended September 30, 2009, expenditures exceeded appropriations in the following:

General Fund:		
General government administration	\$	3,798
Capital expenditures		46,575
Substance Abuse and Mental Health		
Services (SAMHSA); Drug Free Communities		
Support Program (local match)		14,909
Texas Department of Housing and Community		
Affairs (TDHCA); HOME Investment Partnerships		
Program (local match)		1,827
Texas Department of Rural Affairs (TDRA);		
Community Development Block Grant Supplemental		
Fund Program (local match)		9,259

General Fund deficits were funded by excess budget amounts in other departments of the general fund.

**CITY OF SANTA FE, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2009**

The following is a summary of multi - year trend information regarding the funding progress of the retirement plan for the employees of the City of Santa Fe.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Funded Ratio (3)</u>	<u>Unfunded AAL (UAAL) (4)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percentage of Covered Payroll (6)</u>
			(1) / (2)	(2) - (1)		(4) / (5)
12/03/04	\$ 1,807,945	\$ 3,270,612	55.3%	\$ 1,462,667	\$ 1,744,529	83.8%
12/03/05	2,057,691	3,546,038	58.0%	1,488,347	1,984,448	75.0%
12/31/06	2,436,608	3,979,314	61.2%	1,542,706	1,997,159	77.2%
12/31/07	2,799,348	5,203,197	53.8%	2,403,849	2,124,360	113.2%
12/31/08	3,286,283	5,901,845	55.7%	2,615,562	2,503,388	104.5%

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF SANTA FE, TEXAS  
SCHEDULE OF TEMPORARY INVESTMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE 1

General Fund:

Certificate of Deposits:

<u>Certificate Numbers</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>September 30, 2009 Balance</u>
40419673	1.10%	02/12/10	\$ 120,464
40419674	1.10%	02/12/10	120,464
40419675	1.10%	02/12/10	<u>226,464</u>
Total temporary investments			<u>\$ 467,392</u>

**CITY OF SANTA FE, TEXAS**  
**ANALYSIS OF TAXES RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**SCHEDULE 2**

Taxes receivable - October 1		\$	153,082
2008 original tax assessment	\$	1,341,146	
Add (Deduct): Abatements and adjustments to tax rolls during the year		<u>7,789</u>	<u>1,348,935</u>
<b>Total to be accounted for</b>			<b>1,502,017</b>
Less collections:			
Current year		1,296,843	
Prior years		<u>37,028</u>	
<b>Total collections</b>			<b><u>1,333,871</u></b>
Taxes receivable - September 30			168,146
Less allowance for uncollectible taxes			<u>(28,187)</u>
<b>Net taxes receivable - September 30</b>		<b>\$</b>	<b><u>139,959</u></b>

**Taxes receivable by years:**

2008	\$	48,052	
2007		24,834	
2006		16,392	
2005		10,653	
2004		8,715	
2003		6,624	
2002		5,273	
2001		4,460	
2000		4,342	
1999		4,341	
1998 and prior years		<u>34,460</u>	\$ 168,146
Less allowance for uncollectible taxes			<u>(28,187)</u>
<b>Net taxes receivable - September 30</b>			<b>\$ <u>139,959</u></b>

Assessed valuation	\$	458,817,812
Percent of assessed valuation to the fair market value		100.00%
Tax rate per \$100 valuation		0.3114
Percent of the current year's taxes collected to the current taxes levied		96.70%
Percent of the current and delinquent taxes collected to current and delinquent taxes outstanding at the beginning of the year		88.81%



*CITY COUNCIL, KEY ADMINISTRATIVE PERSONNEL AND LEGAL COUNSEL  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

<u>Name, Address, and Term of Office, Elected-Expires</u>	<u>Annual Salary</u>	<u>Title</u>	<u>Resident of City</u>	<u>Relationship with Major Land Owners, Engineer, Attorney and Tax Assessor-Collector</u>
<b>Ralph Stenzel</b> 5518 FM 646S Santa Fe, Tx 77510 5/09 to 5/12	\$0	Mayor	Yes	None
<b>Jeff Tambrella</b> 12017 - 24th. Street Santa Fe, Tx 77510 5/09 to 5/12	\$0	Mayor Pro-Tem	Yes	None
<b>Ronald "Bubba" Jannett</b> 5136 Ave L Santa Fe, Tx 77510 05/08 to 05/10	\$0	Council Member	Yes	None
<b>Pat McCrary</b> 3409 Avenue J Santa Fe, Tx 77510 08/09 to 05/10	\$0	Council Member	Yes	None
<b>Jim Abney</b> 4827 Avenue H Santa Fe, Tx 77510 5/09 to 5/12	\$0	Council Member	Yes	None
<b>Joe Carothers</b> 4410 Castle Drive Santa Fe, Tx 77510 05/08 to 05/10	\$0	Council Member	Yes	None
<b>Joe Dickson</b> 3807 Wade Santa Fe, Tx 77510	\$96,561	City Manager	Yes	None
<b>Janet Davis</b> 12835 24th St. Santa Fe, Tx 77510	\$56,189	City Secretary/Treasurer	Yes	None
<b>Ellis J. Ortego</b> 606 Bayou Crest Dr. Dickinson, Tx 77536	\$22,839	Prosecutor and City Attorney	No	None

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance -	September 30, 2008
	Final Budget	Actual	Over (Under) Budget	Actual
<b>PRIMARY GOVERNMENT:</b>				
<b>GENERAL FUND</b>				
<b>Administration</b>				
Capital expenditures				
Furniture and office equipment	\$ -	\$ -	\$ -	\$ 1,761
Instruments	-	-	-	-
Buildings and structures	-	-	-	-
Motor vehicle	-	-	-	-
Machinery, tools and equipment	-	-	-	-
Capital outlay, capital lease	-	-	-	-
Insurance	55,000	51,707	(3,293)	47,067
Maintenance and repairs	6,926	6,569	(357)	6,918
Personnel services	312,072	318,677	6,605	300,431
Special services	85,500	85,579	79	56,506
Supplies and materials	8,300	9,436	1,136	7,673
Utilities	8,850	8,478	(372)	8,176
Compensated absences	-	-	-	6,276
Contingency fund	-	-	-	-
Total	<u>476,648</u>	<u>480,446</u>	<u>3,798</u>	<u>434,808</u>
<b>Tax</b>				
Capital expenditures				
Furniture and office equipment	-	-	-	-
Maintenance and repairs	-	-	-	-
Personnel services	-	-	-	-
Special services	16,442	14,320	(2,122)	13,060
Supplies and materials	-	-	-	-
Utilities	-	-	-	-
Total	<u>16,442</u>	<u>14,320</u>	<u>(2,122)</u>	<u>13,060</u>
<b>Community Services</b>				
Capital expenditures				
Furniture and office equipment	12,874	12,874	-	12,874
Instruments	-	-	-	-
Buildings and structures	-	-	-	-
Capital outlay, capital lease	-	-	-	-
Maintenance and repairs	3,900	4,019	119	2,866
Personnel services	214,287	206,190	(8,097)	204,923
Special services	31,600	15,279	(16,321)	12,833
Supplies and materials	7,800	6,256	(1,544)	6,262
Utilities	7,980	7,985	5	7,640
Compensated absences	-	-	-	(3,337)
Total	<u>278,441</u>	<u>252,603</u>	<u>(25,838)</u>	<u>244,061</u>

(Continued)

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance - Over (Under) Budget	September 30, 2008 Actual
	Final Budget	Actual		
<b>PRIMARY GOVERNMENT:</b>				
<b>GENERAL FUND (Continued)</b>				
<b>Judicial</b>				
Capital expenditures				
Furniture and office equipment	\$ -	\$ -	\$ -	\$ 8,613
Capital outlay, capital lease	21,748	21,748	-	-
Motor vehicles	10,300	7,551	(2,749)	-
Maintenance and repairs	6,008	4,106	(1,902)	4,392
Personnel services	177,480	172,214	(5,266)	160,100
Special services	48,760	44,388	(4,372)	42,627
Supplies and materials	14,554	11,080	(3,474)	9,345
Utilities	2,740	2,870	130	2,738
Compensated absences	-	-	-	(1,887)
Total	<u>281,590</u>	<u>263,957</u>	<u>(17,633)</u>	<u>225,928</u>
<b>Police</b>				
Capital expenditures				
Furniture and office equipment	25,000	27,347	2,347	44,123
Instruments	38,000	16,136	(21,864)	13,016
Machinery, tools and equipment	-	-	-	-
Motor vehicle - patrol cars	76,936	73,435	(3,501)	65,437
Seized/Awarded vehicle	-	5,875	5,875	-
Vehicle - private citizen donation	-	4,735	4,735	-
Capital lease equipment	-	-	-	-
Capital outlay, capital lease	31,683	32,022	339	165,955
Maintenance and repairs	56,831	46,608	(10,223)	28,213
Personnel services	1,485,088	1,486,265	1,177	1,385,187
Special services	24,207	19,697	(4,510)	13,069
Supplies and materials	128,854	109,526	(19,328)	123,442
Utilities	28,850	27,906	(944)	26,526
Compensated absences	-	-	-	(5,003)
Total	<u>1,895,449</u>	<u>1,849,552</u>	<u>(45,897)</u>	<u>1,859,965</u>
<b>Fire Marshal</b>				
Capital expenditures				
Furniture and office equipment	-	-	-	-
Instruments	-	-	-	2,500
Buildings and structures	-	-	-	-
Maintenance and repairs	1,600	1,318	(282)	586
Personnel services	7,081	6,488	(593)	6,371
Special services	600	258	(342)	511
Supplies and materials	4,550	3,079	(1,471)	1,663
Utilities	700	581	(119)	576
Total	<u>14,531</u>	<u>11,724</u>	<u>(2,807)</u>	<u>12,207</u>

(Continued)

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance -	September 30, 2008
	Final Budget	Actual	Over (Under) Budget	Actual
<b>PRIMARY GOVERNMENT:</b>				
<b>GENERAL FUND (Continued)</b>				
<b>Public Safety</b>				
Special services	\$ 1,269,805	\$ 68,484	\$ (1,201,321)	\$ 53,284
Utilities	1,000	998	(2)	612
Personnel services	2,000	-	(2,000)	404
Supplies and materials	1,350	300	(1,050)	328
Total	1,274,155	69,782	(1,204,373)	54,628
<b>Library</b>				
Capital expenditures				
Furniture and office equipment	1,599	-	(1,599)	1,435
Instruments	-	-	-	-
Buildings and structures	-	-	-	-
Machinery, tools and equipment	3,860	3,860	-	-
Maintenance and repairs	6,500	7,518	1,018	3,381
Personnel services	138,896	134,396	(4,500)	122,273
Special services	8,711	7,967	(744)	4,953
Supplies and materials	21,146	21,656	510	16,444
Utilities	18,200	16,315	(1,885)	17,114
Compensated absences	-	-	-	(1,334)
Total	198,912	191,712	(7,200)	164,266
<b>Streets</b>				
Capital expenditures				
Furniture and office equipment	-	-	-	-
Buildings and structures	-	-	-	-
Roller	-	-	-	-
Machinery, tools and equipment	-	-	-	-
Motor vehicles - other	-	2,880	2,880	-
Motor vehicles - gradall	50,146	50,146	-	50,146
Motor vehicles - dump trucks	36,803	17,472	(19,331)	17,472
Motor vehicles - slope mower	42,015	42,015	-	42,015
Motor vehicles - side mower	-	-	-	-
Motor vehicles - wheel loader	-	-	-	-
Motor vehicles - motorgrader	-	-	-	-
Street improvements	200,000	188,443	(11,557)	78,227
Streets infrastructure - contributions	-	156,000	156,000	2,464,575
Drainage infrastructure - contributions	-	-	-	1,833,661
Capital outlay, capital lease	55,674	-	(55,674)	121,818
Maintenance and repairs	64,950	61,258	(3,692)	35,814
Personnel services	397,994	394,754	(3,240)	355,619
Special services	2,200	1,731	(469)	2,909
Supplies and materials	56,797	47,570	(9,227)	59,156
Utilities	36,550	36,246	(304)	34,861
Compensated absences	-	-	-	1,603
Total	943,129	998,313	55,380	3,097,870

(Continued)

## CITY OF SANTA FE, TEXAS

## SCHEDULE 4

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

## ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance - Over (Under) Budget	September 30, 2008 Actual
	Final Budget	Actual		
<b>PRIMARY GOVERNMENT:</b>				
<b>GENERAL FUND (Continued)</b>				
<b>Parks</b>				
Capital expenditures				
Buildings and structures	\$ 10,000	\$ 2,852	\$ (7,148)	\$ 20,757
Motor vehicles	12,000	12,075	75	-
Tractors/mowers	-	-	-	-
Maintenance and repairs	13,000	5,439	(7,561)	4,404
Personnel services	66,081	51,266	(14,815)	40,460
Special services	4,045	639	(3,406)	2,172
Supplies and materials	27,700	15,708	(11,992)	25,709
Utilities	1,650	1,649	(1)	1,681
Compensated absences	-	-	-	1,365
Total	<u>134,476</u>	<u>89,628</u>	<u>(44,848)</u>	<u>96,548</u>
<b>Special Projects</b>				
Special services	-	-	-	-
Supplies and materials	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Community Center</b>				
Capital expenditures				
Furniture and office equipment	-	-	-	-
Buildings and structures	-	-	-	-
Machinery, tools and equipment	5,000	-	(5,000)	5,157
Maintenance and repairs	3,939	2,700	(1,239)	4,351
Personnel services	3,120	3,005	(115)	2,817
Special services	675	611	(64)	737
Supplies and materials	1,900	3,511	1,611	1,441
Utilities	10,425	8,472	(1,953)	9,653
Total	<u>25,059</u>	<u>18,299</u>	<u>(6,760)</u>	<u>24,156</u>
<b>HOME Investment Partnerships Program</b>				
Project construction costs	15,482	17,309	1,827	-
Administrative	-	-	-	1,420
Total	<u>15,482</u>	<u>17,309</u>	<u>1,827</u>	<u>1,420</u>
<b>Texas Community Development Block Grant Supplemental Fund Program</b>				
Water facilities	-	-	-	-
Rehabilitation of private properties	-	-	-	-
Engineering/Architectural	-	9,259	9,259	-
General administration	-	-	-	-
Total	<u>-</u>	<u>9,259</u>	<u>9,259</u>	<u>-</u>

(Continued)

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance - Over (Under) Budget	September 30, 2008	
	Final Budget	Actual		Budget	Actual
<b>PRIMARY GOVERNMENT:</b>					
<b>GENERAL FUND (Continued)</b>					
<b>Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program</b>					
Personnel costs	\$ 2,171	\$ 4,415	\$ 2,244	\$ 9,303	
Fringe benefits	176	348	172	560	
Travel	-	-	-	-	
Supplies	1,206	1,878	672	2,708	
Consultants/Contracts	4,200	4,200	-	4,200	
Other	136,090	147,911	11,821	154,627	
Total	143,843	158,752	14,909	171,398	
<b>TOTAL - GENERAL FUND</b>	<b>5,698,157</b>	<b>4,425,858</b>	<b>(1,272,299)</b>	<b>8,400,321</b>	
<b>SPECIAL REVENUE FUND</b>					
<b>Substance Abuse and Mental Health Services (SAMHSA); Drug Free Communities Support Program</b>					
Personnel costs	36,000	36,000	-	36,000	
Fringe benefits	4,271	4,213	(58)	3,935	
Travel	5,341	3,469	(1,872)	3,431	
Supplies	3,239	3,663	424	3,739	
Consultants/Contracts	50,725	50,323	(402)	47,680	
Equipment	-	-	-	3,745	
Other	424	845	421	1,470	
Total	100,000	98,513	(1,487)	100,000	
<b>HOME Investment Partnerships Program</b>					
Administrative costs	7,200	7,200	-	-	
Project construction costs	180,000	180,000	-	-	
Total	187,200	187,200	-	-	
<b>Federal Emergency Management Public Assistance Grant (FEMA); Hurricane Ike</b>					
Maintenance and repairs	30,904	30,904	-	63,017	
Personnel services	29,280	29,280	-	73,146	
Special services	1,127,950	1,055,744	(72,206)	880,120	
Supplies and materials	-	-	-	592	
Total	1,188,134	1,115,928	(72,206)	1,016,875	

(Continued)

CITY OF SANTA FE, TEXAS

SCHEDULE 4

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance - Over (Under) Budget	September 30, 2008	
	Final Budget	Actual		Budget	Actual
<b>PRIMARY GOVERNMENT:</b>					
<b>SPECIAL REVENUE FUND (Continued)</b>					
<b>Texas Community Development Block Grant (TxCDBG) Supplemental Fund Program</b>					
Water facilities	\$ 292,050	\$ 108,775	\$ (183,275)	\$ -	-
Rehabilitation of private properties	43,450	-	(43,450)	-	-
Engineering / Architectural	49,000	42,300	(6,700)	-	-
General administration	35,500	30,175	(5,325)	-	-
Total	420,000	181,250	(238,750)	-	-
<b>Federal Highway Administration (FHWA) Emergency Relief (ER) Program - Hurricane Ike</b>					
Special services	-	72,206	72,206	-	-
Total	-	72,206	72,206	-	-
<b>Selective Traffic Enforcement Program (STEP)</b>					
Personnel services	24,000	12,974	(11,026)	10,310	10,310
Total	24,000	12,974	(11,026)	10,310	10,310
<b>Internet Crimes Against Children Program</b>					
Capital expenditures					
Furniture and office equipment	-	-	-	6,145	6,145
Maintenance and repairs	-	-	-	1,360	1,360
Personnel services	-	-	-	1,995	1,995
Total	-	-	-	9,500	9,500
<b>TOTAL - SPECIAL REVENUE FUND</b>	<b>1,919,334</b>	<b>1,668,071</b>	<b>(251,263)</b>	<b>1,136,685</b>	<b>1,136,685</b>
<b>Total Expenditures - Primary Government All Funds and Departments</b>	<b>7,617,491</b>	<b>6,093,929</b>	<b>(1,523,562)</b>	<b>9,537,006</b>	<b>9,537,006</b>

(Continued)

## SCHEDULE OF EXPENDITURES COMPARED TO BUDGET

## ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	September 30, 2009		Variance - Over (Under) Budget	September 30, 2008 Actual
	Final Budget	Actual		
<b>COMPONENT UNIT:</b>				
<b>GENERAL FUND</b>				
<b>Administration</b>				
Capital expenditures				
Infrastructure improvements	\$ 213,833	\$ 213,832	\$ (1)	\$ 213,833
Personnel services	16,000	15,350	(650)	15,045
Special services	45,800	43,417	(2,383)	23,886
Supplies and materials	700	250	(450)	241
Total	<u>276,333</u>	<u>272,849</u>	<u>(3,484)</u>	<u>253,005</u>
<i>Total Expenditures - Component Unit</i>				
<i>All Funds and Departments</i>	<u>276,333</u>	<u>272,849</u>	<u>(3,484)</u>	<u>253,005</u>
<i>Total Expenditures - Reporting Entity</i>				
<i>All Funds and Departments</i>	<u>\$ 7,893,824</u>	<u>\$ 6,366,778</u>	<u>\$ (1,527,046)</u>	<u>\$ 9,790,011</u>



**FEDERAL AWARDS SECTION**

Mary I. Cambiano, CPA  
John N. Cambiano, CPA

Members American Institute of Certified Public  
Accountants and Texas Society of  
Certified Public Accountants

**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**

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Santa Fe, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2010. 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. The financial statements of the City of Santa Fe Section 4B Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of members of the City Council, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Cambiano & Cambiano, P.C.  
Santa Fe, Texas

June 23, 2010

Mary I. Cambiano, CPA  
John N. Cambiano, CPAMembers American Institute of Certified Public  
Accountants and Texas Society of  
Certified Public Accountants**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**The Honorable Mayor and  
Members of the City Council  
City of Santa Fe  
Santa Fe, Texas**Compliance**

We have audited the compliance of the City of Santa Fe, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Santa Fe, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

**Internal Control Over Compliance**

The management of the City of Santa Fe, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of members of the City Council, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Cambiano & Cambiano, P.C.  
Santa Fe, Texas

June 23, 2010

**CITY OF SANTA FE, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Substance Abuse and Mental Health Services Administration; Drug Free Communities Support Program (SAMHSA)	93.276	5H79SPO10816-05	\$ <u>98,513</u>
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through Texas Department of Housing and Community Affairs; HOME Investment Partnerships Program, Owner Occupied Housing Assistance	14.239	1000710	187,200
Passed Through Texas Department of Rural Affairs (TDRA); Texas Community Development Block Grant Program, Community Development Supplemental Fund	14.228	728370	<u>181,250</u>
<b>TOTAL UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>368,450</u>
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Texas Department of Public Safety; Emergency Management Public Assistance Grant/Hurricane Ike (FEMA)	97.036	167-65726-00 FEMA-1791-DR-Hurricane Ike	<u>1,115,928</u>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
Federal Highway Administration (FHWA); Passed Through Texas Department of Transportation (TxDOT); Federal Highway Emergency Relief Program - Hurricane Ike	20.205	Hurricane Ike	72,206
National Highway Traffic Safety Administration (NHTSA); Passed Through Texas Department of Transportation (TxDOT); Selective Traffic Enforcement Program (STEP); 2009 Comprehensive	20.600	589EGF6094	<u>12,974</u>
<b>TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			<u>85,180</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,668,071</u>

See Notes to Schedule of Expenditures of Federal Awards.

**CITY OF SANTA FE, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**NOTE 1 – BASIS OF ACCOUNTING**

The City accounts for awards under federal programs in the General and Special Revenue governmental funds. All federal grant resources restricted to, or designated for, specific purposes by the grantor are accounted for in the Special Revenue Funds and the City's local match in the General Fund. The modified accrual basis of accounting is used in the governmental funds and the accompanying Schedule of Expenditures of Federal Awards. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

Federal grant funds are considered to be earned to the extent of expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

CITY OF SANTA FE, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiencies identified that are not considered  
 to be material weaknesses?  Yes  None Reported
3. Noncompliance material to the financial statements noted?  Yes  No

Federal Awards

4. Internal control over major programs:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiencies identified that are not considered  
 to be material weaknesses?  Yes  None Reported
5. Type of Auditor's Report issued on compliance for major programs: Unqualified
6. Any audit findings disclosed that are required to be reported in  
 accordance with Section 510(a) of Circular A-133?  Yes  No

7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	United States Department of Homeland Security; Emergency Management Public Assistance Grant/Hurricane Ike (FEMA)

8. Dollar threshold used to distinguish between type A  
 and type B programs: \$300,000
9. Auditee qualified as low-risk auditee?  Yes  No

II. FINANCIAL STATEMENT FINDINGS

None Reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings or questioned costs  
 required to be reported.

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Corrective Action Taken</u>
	None Reported.



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Corrective Action Plan

Not Applicable