

# City of Santa Fe, Texas

## FINANCIAL STATEMENTS

For the Year Ended September 30, 2017



**CRI** CARR  
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**City of Santa Fe, Texas**  
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**September 30, 2017**

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## **INTRODUCTORY SECTION**

**MAYOR**

Jeff Tambrella

**CITY COUNCIL**

Mayor Pro –Tem	Corey Jannett
Council Member	Joe Carothers
Council Member	Charles Coleman
Council Member	Ronald “Bubba” Jannett
Council Member	Bill Pittman

**CITY MANAGER**

Joe Dickson

**CITY SECRETARY/TREASURER**

Janet Davis



**FINANCIAL SECTION**



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Santa Fe, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of The City of Santa Fe Section 4B Economic Development Corporation, which is the only discretely presented component unit and represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The City of Santa Fe Section 4B Economic Development Corporation which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units as of and for the year ended September 30, 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The City of Santa Fe Section 4B Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the City of Santa Fe, Texas as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 7 to 13, the budgetary comparison information on pages 48 to 49, the schedule of changes in net pension liability and the schedule of employer contributions on pages 50 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory and other supplementary sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and other supplementary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Carly Riggs & Ingram, L.L.C.*

August 6, 2018

## Management's Discussion and Analysis

The City of Santa Fe, Texas's (the "City") management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2017. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Please read it in conjunction with the City's financial statements beginning on page 14.

### ***Financial Highlights***

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$14,118,849 (net position).
- The City's total net position decreased by \$683,560 during the year.
- The City's total expenses were \$6,119,355. Program revenues of \$750,104 decreased the net cost of the City's functions to be financed from the City's general revenues to \$5,369,251.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$1,244,016 or 24.4 percent of total general fund expenditures.

### ***Overview of the Financial Statements:***

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

### ***Government-wide Financial Statements:***

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements include not only the City itself (known as the primary government), but also component unit: Santa Fe Economic Development Corporation. Financial information for the component unit is reported separately from the financial information presented for the primary government. Complete financial statements for the component unit are available from the Santa Fe Economic Development Corporation upon request.

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

### ***Fund Financial Statements***

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide information about the City's most significant funds.

The City only maintains governmental funds.

### ***Governmental Funds***

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

The City maintains three individual governmental funds, the General Fund, Debt Service Fund and Special Revenue Fund for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds, which are considered to be major funds as of September 30, 2017.

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

### ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 46 of this report.

### ***OTHER INFORMATION***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget and the City's pension benefits provided to its employees. Required supplementary information can be found on pages 48 through 52 of this report.

## Management's Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,118,849 as of September 30, 2017.

The largest portion of the City's net position, \$15,416,799, reflects its net investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position, \$18,448, represents restricted financial resources which are not available for future spending.

Lastly, the remaining portion of the City's net position represents unrestricted financial resources available for future operations. As of September 30, 2017, unrestricted net position has a deficit balance of \$1,316,398, which can be attributed primarily to the City's net pension liability that was initially recorded in fiscal year 2015.

<i>September 30,</i>	<b>2017</b>	2016
<b>Assets</b>		
Current and other assets	\$ 2,923,859	\$ 2,803,505
Capital assets	18,929,816	19,743,996
<b>Total assets</b>	<b>21,853,675</b>	22,547,501
<b>Deferred outflows of resources</b>		
Deferred outflows - pension plan	670,917	814,945
<b>Liabilities</b>		
Long-term liabilities outstanding	6,990,195	7,189,411
Other liabilities	1,148,568	1,023,545
<b>Total liabilities</b>	<b>8,138,763</b>	8,212,956
<b>Deferred inflows of resources</b>		
Deferred inflows - pension plan	266,980	347,081
<b>Net Position</b>		
Net investment in capital assets	15,416,799	16,177,384
Restricted	18,448	18,430
Unrestricted	(1,316,398)	(1,393,405)
<b>Total net position</b>	<b>\$ 14,118,849</b>	\$ 14,802,409

## Management's Discussion and Analysis

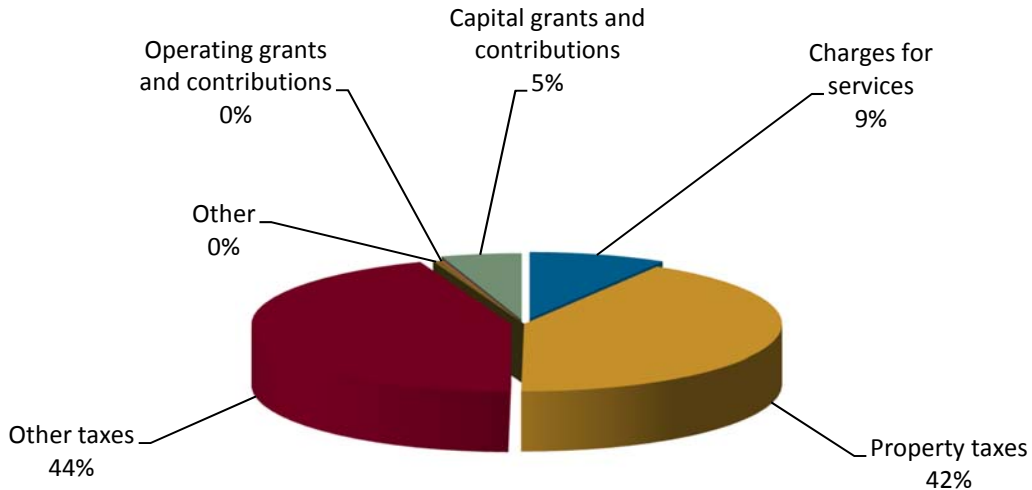
### **Governmental Activities**

The net position relating to governmental activities of the City decreased by \$683,560. Key elements of the change are as follows:

<i>Year ending September 30,</i>	<b>2017</b>	2016
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 465,701	\$ 506,451
Operating grants and contributions	12,130	19,766
Capital grants and contributions	272,273	1,397,616
General revenues:		
Property taxes	2,262,198	2,198,562
Other taxes	2,397,838	2,328,204
Other	25,655	70,939
Total revenues	5,435,795	6,521,538
<b>Expenses:</b>		
General government	1,667,719	1,777,965
Public safety	2,356,567	2,321,692
Public works	1,700,064	1,649,791
Grants	272,273	1,343,351
Interest	122,732	117,323
Total expenses	6,119,355	7,210,122
Change in net position	(683,560)	(688,584)
Net position - beginning	14,802,409	15,490,993
Net position - ending	\$ 14,118,849	\$ 14,802,409

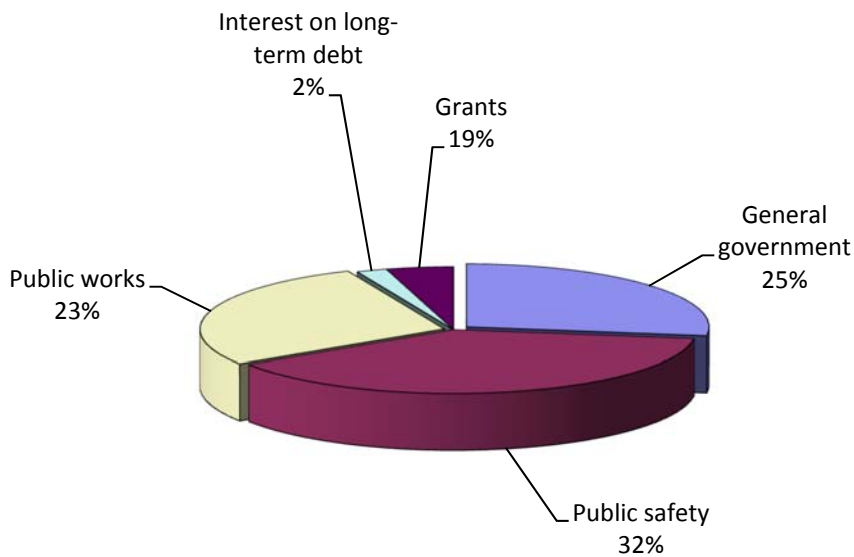
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

### GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2017, revenue from governmental activities totaled \$5,435,795, primarily from property and other taxes.

### GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2017, expenses from governmental activities totaled \$6,119,355, the largest portion of which relates to Public Safety (32%).

### ***Financial Analysis of the City's Funds***

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

#### ***Governmental Funds***

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

As of September 30, 2017, the City's governmental funds reported an ending fund balance of \$1,643,005, which is a decrease of \$8,525 from last year's total of \$1,651,530. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. The unassigned General Fund fund balance represents 24.4 percent of total General Fund expenditures.

#### ***General Fund Budgetary Highlights***

During the year, there were no material increases or decreases in appropriations between the original and final budget of the General Fund, except for capital outlay and related capital lease financing and the close-out of CDBG grants. The final budget reflected the City's anticipated expenditures for various capital assets for which funding was not originally approved and the recognition of close-out revenues and expenditures for CDBG grants, not originally budgeted.

#### ***Capital Asset and Debt Administration***

Capital Assets - The City's net investment in capital assets as of September 30, 2017, amounts to \$18,929,816 (net of accumulated depreciation). This net investment in capital assets includes land and improvements, buildings, machinery and equipment and infrastructure.

#### **Capital Assets (Net of Accumulated Depreciation)**

<i>September 30,</i>	<b>2017</b>	2016
Land	<b>546,297</b>	\$ 546,297
Buildings	<b>3,514,051</b>	3,621,285
Machinery and equipment	<b>1,033,013</b>	1,149,489
Infrastructure	<b>11,729,484</b>	12,177,848
Infrastructure Improvements	<b>2,106,971</b>	2,249,077
<b>Total</b>	<b>\$ 18,929,816</b>	<b>\$ 19,743,996</b>

Increases in capital assets were mainly attributable to the acquisition of new police department vehicles and related mobile equipment and improvements to City streets. Additional information on the City's capital assets can be found in Note 6 on page 36.

## Management's Discussion and Analysis

### ***Long-Term Debt***

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

### **Outstanding Debt**

#### **General Obligation Bonds and Other Liabilities**

<i>September 30,</i>	<b>2017</b>		<b>2016</b>
General Obligation Bonds, net	<b>3,015,000</b>	\$	3,155,000
Bond Premium	<b>150,846</b>		160,903
Capital leases	<b>347,171</b>		411,612
Compensated absences	<b>664,802</b>		635,949
Net pension liability	<b>2,812,376</b>		2,825,947
<b>Total</b>	<b>\$ 6,990,195</b>	<b>\$</b>	<b>7,189,411</b>

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

Additional information on the City's long-term debt can be found in Note 7 beginning on page 37.

### **General Fund Highlights**

Fund balance in the General Fund decreased to \$1,426,215. If needed, the use of available fund balance will avoid the need to significantly raise taxes in the near future.

### ***Request for Information***

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



**City of Santa Fe, Texas**  
**Statement of Net Position**  
**September 30, 2017**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Santa Fe Economic Development Corporation</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 67,775	\$ 27,251
Investments	1,786,770	1,218,250
Receivables		
Property tax	153,280	-
Intergovernmental	194,411	1,261,414
Sales tax, franchise tax and other	697,787	-
Prepaid and other assets	5,388	-
Restricted cash and cash equivalents	18,448	-
Capital assets, net of depreciation	18,929,816	-
Total assets	21,853,675	2,506,915
<b>Deferred Outflows of Resources</b>		
Deferred outflows - pension plan	670,917	-
<b>Liabilities</b>		
Accounts payable	487,386	183,232
Accrued interest payable	10,071	-
Refundable deposit	116,400	-
Unearned revenue	534,711	-
Noncurrent liabilities		
Due within one year	616,319	-
Due in more than one year	6,373,876	-
Total liabilities	8,138,763	183,232
<b>Deferred Inflows of Resources</b>		
Deferred inflow - pension plan	266,980	-
<b>Net Position</b>		
Net investment in capital assets	15,416,799	-
Restricted	18,448	-
Unrestricted	(1,316,398)	2,324,683
Total net position	\$ 14,118,849	\$ 2,324,683

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

**City of Santa Fe, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Santa Fe Economic Development Corporation
<b>Governmental Activities:</b>						
General government	\$ 1,667,719	\$ 463,008	\$ 8,354	\$ -	\$ (1,196,357)	\$ -
Public safety	2,356,567	-	3,776	-	(2,352,791)	-
Public works	1,700,064	2,693	-	-	(1,697,371)	-
Interest on long-term debt	122,732	-	-	-	(122,732)	-
Grant expenditures	272,273	-	-	272,273	-	-
Total governmental activities	6,119,355	465,701	12,130	272,273	(5,369,251)	-
<b>Component Unit:</b>						
Santa Fe Economic Development Corporation	85,047	-	-	-	-	(85,047)
Total governmental activities	\$ 6,204,402	\$ 465,701	\$ 12,130	\$ 272,273	(5,369,251)	(85,047)
<b>General Revenues</b>						
Sales taxes					1,614,494	533,671
Property taxes, penalties and interest					2,262,198	-
Franchise taxes					783,344	-
Miscellaneous					8,459	-
Investment earnings					17,196	10,887
Special item - Reimbursement from Political Subdivision - Galveston County Water Control Improvement District No. 8 - water and sewer infrastructure improvements					-	222,098
Total general revenues and special item					4,685,691	766,656
Change in net position					(683,560)	681,609
<b>Net Position - beginning</b>					14,802,409	2,324,683
<b>Net Position - ending</b>					\$ 14,118,849	\$ 3,006,292

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

**City of Santa Fe, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2017**

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 63,322	\$ 4,453	\$ -	\$ 67,775
Investments	1,575,866	210,904	-	1,786,770
Receivables				
Taxes	139,072	14,208	-	153,280
Intergovernmental	-	-	194,411	194,411
Sales tax, franchise tax and other	693,801	3,986	-	697,787
Prepaid and other assets	5,388	-	-	5,388
Restricted cash and cash equivalents	18,448	-	-	18,448
<b>Total assets</b>	<b>\$ 2,495,897</b>	<b>\$ 233,551</b>	<b>\$ 194,411</b>	<b>\$ 2,923,859</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 292,975	\$ -	194,411	\$ 487,386
Refundable deposits	116,400	-	-	116,400
Unearned revenue	530,725	3,986	-	534,711
<b>Total liabilities</b>	<b>940,100</b>	<b>3,986</b>	<b>194,411</b>	<b>1,138,497</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	129,582	12,775	-	142,357
<b>Total deferred inflows of resources</b>	<b>129,582</b>	<b>12,775</b>	<b>-</b>	<b>142,357</b>
<b>Fund Balances</b>				
Restricted	18,448	176,765	-	195,213
Assigned	163,751	-	-	163,751
Unassigned	1,244,016	40,025	-	1,284,041
<b>Total fund balances</b>	<b>1,426,215</b>	<b>216,790</b>	<b>-</b>	<b>1,643,005</b>
Total liabilities, deferred inflows of resources and fund balances	\$ 2,495,897	\$ 233,551	\$ 194,411	\$ 2,923,859

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

**City of Santa Fe, Texas**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds to the Statement of Net Position**  
**September 30, 2017**

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

Total fund balances - governmental funds	\$ 1,643,005
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	18,929,816
Deferred inflows and outflows of resources pertaining to actuarial pension differences between expected and actual economic experience (\$131,309), changes of actuarial assumptions (\$18,983) projected and actual investment earnings (\$80,101) and pension contributions made subsequent to the measurement date (\$251,858) are not financial resources and, therefore, are not reported in the funds.	403,937
Revenues that do not provide current financial resources are reported as deferred in the funds.	142,357
Long-term liabilities, including capital leases and the net pension liability, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	(7,000,266)
<b>Net position of governmental activities</b>	<b>\$ 14,118,849</b>

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

**City of Santa Fe, Texas**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances – Governmental Funds**  
**For the Year Ended September 30, 2017**

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,930,531	\$ 298,349	\$ -	\$ 2,228,880
Penalties and interest	25,823	3,816		29,639
Sales taxes	1,614,494			1,614,494
Franchise taxes	783,344	-	-	783,344
Licenses and permits	173,777	-	-	173,777
Fines and forfeitures	254,136	-	-	254,136
Investment earnings	15,886	1,310	-	17,196
Intergovernmental	-	-	272,273	272,273
Other	83,424	-	-	83,424
<b>Total revenues</b>	<b>4,881,415</b>	<b>303,475</b>	<b>272,273</b>	<b>5,457,163</b>
<b>Expenditures</b>				
General government	1,597,249	-	-	1,597,249
Public safety	2,216,437	-	-	2,216,437
Public works	959,467	-	-	959,467
Grant and program expenditures	-	-	272,273	272,273
<b>Capital Outlay</b>	<b>333,676</b>	<b>-</b>	<b>-</b>	<b>333,676</b>
<b>Debt service:</b>				
Principal	-	140,000	-	140,000
Interest and fiscal charges	-	123,450	-	123,450
<b>Total expenditures</b>	<b>5,106,829</b>	<b>263,450</b>	<b>272,273</b>	<b>5,642,552</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(225,414)</b>	<b>40,025</b>	<b>-</b>	<b>(185,389)</b>
<b>Other Financing Sources</b>				
Capital leases	176,864	-	-	176,864
<b>Total other financing sources</b>	<b>176,864</b>	<b>-</b>	<b>-</b>	<b>176,864</b>
Net change in fund balances	(48,550)	40,025	-	(8,525)
<b>Fund Balances - beginning</b>	<b>1,474,765</b>	<b>176,765</b>	<b>-</b>	<b>1,651,530</b>
<b>Fund Balances - ending</b>	<b>\$ 1,426,215</b>	<b>\$ 216,790</b>	<b>\$ -</b>	<b>\$ 1,643,005</b>

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

**City of Santa Fe, Texas**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended September 30, 2017**

Differences in amounts reported for governmental activities in the Statement of Activities.

Net change in fund balances - total governmental funds	\$	(8,525)
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		381,305
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		333,676
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.		(1,076,327)
Capital assets sold during the period, reported in prior years as expenditures in the governmental funds		(71,528)
Amortization of bond premium is included in the Statement of Activities; however, these credits are not included in the governmental funds.		10,057
The proceeds from the issuance of debt is reported as an other financing source in the governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Position.		(176,864)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		(75,354)
Change in net position of governmental activities	\$	(683,560)

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

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

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

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

***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 (the “Corporation”) is the only component unit that should be included in the City’s basic financial statements. The Corporation is presented discretely and the financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. The discretely presented component unit has a September 30 year-end and only has governmental activities.

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basic Financial Statements***

***General***

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

***Government-Wide Statements***

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

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

***Fund Financial Statements***

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



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following are reported as major governmental funds:

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

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

**Special Revenue Fund** – This fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes. The following grants/programs are included in this fund:

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

*Community Development Block Grant – Disaster Recovery Grant Program – Contract UGLOI3- 078- 000-7101 - Round 2.2* - This grant is used to facilitate disaster relief, recovery, restoration and economic revitalization in areas affected by Hurricane Ike. The funds purchased and installed a new ground storage tank at an existing plant and sewer line rehabilitation in various approved locations.

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

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

***Cash and Cash Equivalents***

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

***Investments***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Investments (Continued)***

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.

***Fair Value Measurements***

The City follows GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard establishes a hierarchy in which fair value measurements are categorized. The implementation of this standard did not have a material impact on the City's financial statements.

***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.

***Restricted Cash and Cash Equivalents***

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

***Capital Assets***

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, drainage systems and similar items) are reported at cost or estimated historical cost, including all ancillary charges necessary to place the asset in its intended location and condition for use. Donated capital assets are reported at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest costs related to a capital asset or incurred during the construction phase of a capital asset is expensed and not capitalized. Capital assets are defined for financial statement purposes as assets with an estimated economic useful life in excess of one year and meet specific capitalization thresholds.

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (Continued)***

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

<b>Asset type</b>	<b>Useful life</b>	<b>Capitalization Threshold</b>
Buildings	40 years	\$ 25,000
Building Improvements	15 years	\$ 25,000
Improvements, Other Than Buildings	15 years	\$ 20,000
Infrastructure	60 years	\$ 100,000
Infrastructure Improvements	15 years	\$ 100,000
Computer and Computer Equipment	5 years	\$ 1,000
Equipment	10 years	\$ 2,500
Furniture	10 years	\$ 1,000
Radios and Communication Equipment	10 years	\$ 1,000
Vehicles	10 years	\$ 2,500
Library Books and Materials	10 years	\$ 10,000

***Compensated Absences***

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

Sick leave benefits are also provided to all eligible, regular employees at a rate of eight hours per month of service, or ninety six hours per year, for employees not covered by collective bargaining. Collective bargaining employees accumulate sick leave in accordance with the provisions of Section 143.045 of the Texas Local Government Code. Eligible part-time employees accrue sick leave benefits at one-half the rate of full time employees. Unused sick leave benefits are allowed to accumulate to a maximum of 180 days; however, collective bargaining employees may accumulate sick leave without limit. Upon termination of an employee in good standing, the payment of accrued sick leave benefits may be authorized up to one-third of the lesser of (a) the accumulated, unused sick leave, or (b) ninety days. Collective bargaining employees who leave service for any reason are entitled to a lump-sum payment of the lesser of the accrued sick leave benefits or ninety days. The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and also provide that time not used will be paid in cash in accordance with the Act.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Compensated Absences (Continued)***

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

***Long-term Debt***

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

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item reported in this category, deferred outflows related to pension. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with the implementation of GASB Statement No. 68.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category - deferred inflows related to pension and unearned property taxes. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments, in accordance with the implementation of GASB Statement No. 68, and is amortized over five years beginning with the year in which the difference occurred.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Position/Fund Equity***

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

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

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

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

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

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

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

*Committed* – Fund balances that contain self-imposed constraints of the government from City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council, the highest level of decision making authority. The City has no fund balances classified as committed.

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Pension***

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

***Property Taxes***

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

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

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

***Management Estimates and Assumptions***

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

***Subsequent Events***

Management of the City has evaluated subsequent events through August 6, 2018, the date the financial statements were available to be issued. No matters were noted affecting disclosures.

**NOTE 2 – BUDGETARY ACCOUNTING**

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

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare.

The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget. Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

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

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

***Investment Policy***

The City's Investment Policy 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 percent of market value of principal and accrued interest on the deposits or investments less an amount insured by FDIC. In accordance with its investment policy, the City manages its exposure to declines in fair market values by not investing more than 20% of the portfolio for a period greater than one year and no portion of a portfolio may be invested for a period greater than two years. As of September 30, 2017, all of the City's investments were invested for a period of one year or less. It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA by a nationally recognized rating agency. Investment pools must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service. The investments 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.



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

***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, 2017:

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

For deposits, custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned to it. Protection of City cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the financial institutions holding the assets. The City’s deposits at September 30, 2017, were secured by depository insurance or by collateral held by a third-party custodian in the City’s name, and therefore were not exposed to custodial credit risk.

At year-end, the City’s carrying amount of deposits was \$85,723 and the bank balance was \$98,386. Of this bank balance, \$250,000 is covered by federal depository insurance. The cash balance is also collateralized with securities held by the pledging financial institution or by its trust department or agent in the City’s name (Risk Category 1).

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

<i>September 30,</i>	<i>2017</i>
Demand and time deposits	\$ 85,723
Petty cash	500
Total cash and cash equivalents	86,223
Less restricted cash and cash equivalents	(18,448)
Unrestricted cash and cash equivalents	\$ 67,775

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

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

***Investments***

The City has the following investments as of September 30, 2017:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 990,491	1	55.4%	AAAm
Certificates of deposit	795,000	202	44.5%	
Money market mutual fund	1,279	1	0.1%	
	<u>\$ 1,786,770</u>		<u>100.0%</u>	

The City has certificates of deposit acquired from four different financial institutions in amounts ranging from \$150,000 to \$245,000 with interest ranging from 1.4% to 1.702%. The certificates of deposit mature at dates ranging from May 2018 to June 2019 and each certificate of deposit is insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration up to \$250,000, including interest.

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

The City had \$286,835 invested in TexPool as of September 30, 2017. TexPool’s administrative and investment services are provided by Federated Investors, Inc., and the assets are safe kept in a separate custodial account at State Street Bank and Trust in the name of TexPool.

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

The TexPool portfolio is made up of the following:

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

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

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

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

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

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

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

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

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

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

The City had \$703,656 invested in LOGIC I as of September 30, 2017. The LOGIC I Portfolio is comprised of the following eligible investments:

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

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

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

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

Interest rate risk is the potential for a decline in market value due to rising interest rates. The Logic 1 Portfolio presents little interest rate risk. The dollar-weighted average maturity of the portfolio is 60 days or less (or fewer days, if required to maintain its rating) and the maximum final stated maturity of the portfolio will not exceed 90 days. The portfolio's maximum final stated maturity is

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

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

397 days for fixed rate securities and 24 months for variable rate securities. The Board has determined, in good faith, that it is in the best interest of the portfolio to maintain a stable net asset value of \$1.00 per unit. Investments in the portfolio are neither insured nor guaranteed by the U.S. Government and there can be no assurance that the portfolio will maintain a stable net asset value of \$1.00. Policies have been established to stabilize, to the extent reasonably possible, the net asset value per unit of \$ 1.00.

Concentration of credit risk is the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specified issuer. The investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any other instrument. As of September 30, 2017, the City had no concentration of credit risk.

As of September 30, 2017, the City’s external investment pools including those of the City’s discretely presented component unit, meet the criteria described in GASB Statement No. 79 and measure all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

**NOTE 4 – RECEIVABLES**

Receivables as of September 30, 2017 are as follows:

	<b>Governmental Activities</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Special Revenue Fund</b>	
Property tax	\$ 164,438	\$ 15,647	\$ -	\$ 180,085
Intergovernmental	-	-	194,411	194,411
Sales tax, franchise tax and other	1,584,503	4,429	-	1,588,932
	1,748,941	20,076	194,411	1,963,428
Less allowance for collectibility	(916,068)	(1,882)	-	(917,950)
<b>Totals</b>	<b>\$ 832,873</b>	<b>\$ 18,194</b>	<b>\$ 194,411</b>	<b>\$ 1,045,478</b>

**NOTE 5 – INTERFUND ACTIVITY**

In both the government-wide and governmental fund financial statements, no amounts were reported as “interfund receivables and payables,” “advances from or to other funds,” or “due to and from other funds” as of September 30, 2017. Also, no interfund transfers occurred during the year ended September 30, 2017.

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 546,297	\$ -	\$ -	\$ 546,297
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	546,297	-	-	546,297
Capital assets, being depreciated:				
Buildings	4,021,323	-	-	4,021,323
Buildings Improvements	257,708	5,050	-	262,758
Computer	360,455	29,494	116,206	273,743
Equipment	1,648,690	20,680	173,670	1,495,700
Furniture and Fixtures	53,445	-	-	53,445
Improvements (other than building)	121,143	-	-	121,143
Infrastructure	26,845,854	-	-	26,845,854
Infrastructure improvements	4,556,518	165,474	-	4,721,992
Radios	206,031	-	-	206,031
Vehicles	849,345	112,977	206,653	755,669
Total capital assets, being depreciated	38,920,512	333,675	496,529	38,757,658
Less accumulated depreciation for:				
Buildings	(542,056)	(100,578)	-	(642,634)
Buildings Improvements	(115,690)	(11,706)	-	(127,396)
Computer	(320,133)	(18,682)	(116,206)	(222,609)
Equipment	(1,065,030)	(94,814)	(173,670)	(986,174)
Furniture and Fixtures	(20,963)	(4,228)	-	(25,191)
Improvements (other than building)	(61,184)	(8,091)	-	(69,275)
Infrastructure	(14,668,006)	(448,364)	-	(15,116,370)
Infrastructure improvements	(2,307,439)	(307,582)	-	(2,615,021)
Radios	(124,587)	(16,857)	-	(141,444)
Vehicles	(497,725)	(65,425)	(135,125)	(428,025)
Total accumulated depreciation	(19,722,813)	(1,076,327)	(425,001)	(20,374,139)
Total capital assets, being depreciated, net	19,197,699	(742,652)	71,528	18,383,519
Governmental activities capital assets, net	\$ 19,743,996	\$ (742,652)	\$ 71,528	\$ 18,929,816

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (Continued)**

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

<i>December 31, 2017</i>	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 24,000	\$ -	\$ 24,000
Buildings	91,533	(29,150)	62,383
Computer	91,296	(59,891)	31,405
Equipment	638,735	(184,463)	454,272
Radios	144,725	(89,247)	55,478
Vehicles	341,253	(72,648)	268,605
	<b>\$ 1,331,542</b>	<b>\$ (435,399)</b>	<b>\$ 896,143</b>

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

<i>Year ended September 30,</i>	<i>2017</i>
General government	\$ 16,923
Community service	3,770
Police/judicial	184,771
Library	11,257
Streets	841,972
Community center	7,706
Fire marshall	612
Parks	9,316
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,076,327</b>

**NOTE 7 – LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2017 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General obligation					
bonds	\$ 3,155,000	\$ -	\$ 140,000	\$ 3,015,000	\$ 145,000
Bond premium	160,903	-	10,057	\$ 150,846	-
Capital leases	411,612	176,865	241,306	\$ 347,171	189,396
Net pension liability	2,825,947	1,212,536	1,226,107	\$ 2,812,376	-
Compensated absences	635,949	369,791	340,938	\$ 664,802	281,923
	<b>\$ 7,189,411</b>	<b>\$ 1,759,192</b>	<b>\$ 1,958,408</b>	<b>\$ 6,990,195</b>	<b>\$ 616,319</b>



**City of Santa Fe, Texas**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (Continued)**

Bonds payable at September 30, 2017, is comprised of the following individual issue:

	Original Issue	Matures	Interest rate (%)	Interest Payment Dates	Debt Outstanding
<b>Governmental Activities:</b>					
General obligation bonds, Series 2013	\$ 3,535,000	2033	3.0-5.0	March 1 / Sept. 1	\$ 3,015,000

Debt service requirements on long-term debt at September 30, 2017 is as follows:

<b>Governmental Activities - General Obligation Bonds</b>			
Fiscal Year Ending September 30,	Principal	Interest	Total
2018	145,000	118,675	263,675
2019	150,000	114,250	264,250
2020	150,000	109,750	259,750
2021	155,000	105,175	260,175
2022-2026	860,000	443,825	1,303,825
2027-2031	1,055,000	252,150	1,307,150
2032-2033	500,000	25,250	525,250
	\$ 3,015,000	\$ 1,169,075	\$ 4,184,075

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

A summary of changes in the unamortized bond premium follows:

	Original Premium	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
<b>Governmental Activities:</b>					
General obligation bonds, Series 2013	\$ 201,130	\$ 160,903	\$ -	\$ 10,057	\$ 150,846

**NOTE 7 – LONG-TERM DEBT (Continued)**

As September 30, 2017, the future minimum lease payments on the capital leases are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2018	\$ 197,408
2019	111,484
2020	51,194
Total minimum lease payment	360,086
Less: amount representing interest	(12,915)
Present value of minimum lease payments	\$ 347,171

**NOTE 8 – DEFERRED INFLOWS OF RESOURCES – GOVERNMENT FUNDS**

Property taxes are levied by the County Commission in February each year based on property records as of the preceding October 1. The enforceable legal claim exists as of the levy date preceding each October when property taxes are assessed. At September 30, 2017 deferred inflows of resources in the General Fund consisted of unearned revenue – property taxes of \$142,357.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

***Defined Benefit Pension Plan***

*Plan description*

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (“the TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (“CAFR”) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

*Benefits provided*

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

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

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

<i>December 31,</i>	2016
Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	59
Active members	65
<b>Total</b>	<b>145</b>

*Contributions*

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

Employees for the City of Santa Fe, Texas, were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Santa Fe, Texas, were 12.31% and 12.07% of covered payroll in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2017, were \$328,717, and were equal to the required contribution

***Net Pension Liability***

The City’s net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

*Actuarial Assumptions*

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.5%, including inflation
Investment rate of return	6.75% , net of pension plan investment expense, including inflation

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

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

Discount rate

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$11,370,341	\$8,544,394	\$2,825,947
Changes for the year:			
Service cost	434,657	-	434,657
Interest	771,006	-	771,006
Difference between expected and actual experience	(44,684)	-	(44,684)
Changes of assumptions	-	-	-
Contributions - employer	-	385,019	(385,019)
Contributions - employee	-	218,938	(218,938)
Net investment income	-	577,467	(577,467)
Benefit payments, including refunds of employee contributions	(330,730)	(330,730)	-
Administrative expense	-	(6,522)	6,522
Other changes	-	(352)	352
<b>Net changes</b>	<b>830,249</b>	<b>843,820</b>	<b>(13,571)</b>
Balance at December 31, 2016	\$12,200,590	\$9,388,214	\$2,812,376

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

The following table presents the City's net pension liability calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 4,691,288	\$ 2,812,375	\$ 1,291,537

**City of Santa Fe, Texas**  
**Notes to Financial Statements**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

***Pension plan fiduciary net position***

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2017, the City recognized pension expense of \$380,201. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 266,980
Changes of actuarial assumptions	44,988	-
Difference between projected and actual investment earnings	374,071	-
Contribution subsequent to the measurement date	251,858	-
<b>Total</b>	<b>\$ 670,917</b>	<b>\$ 266,980</b>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$251,858 will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2017	\$ 25,287
2018	40,965
2019	85,971
2020	(144)
	<b>\$ 152,079</b>

**NOTE 10 – RISK MANAGEMENT**

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

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

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

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



**NOTE 11 - CONTINGENCIES**

***Grants***

The City receives financial assistance from federal, state, and local government agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the City at September 30, 2017.

***Litigation***

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

***Pension Uncertainty***

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Santa Fe**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**General Fund -**  
**Budget and Actual**  
**For the Year Ended September 30, 2017**

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Property tax	\$ 1,960,576	\$ 1,960,576	\$ 1,930,531	\$ (30,045)
Penalties and interest	30,000	30,000	25,823	(4,177)
Sales taxes	1,579,250	1,579,250	1,614,494	35,244
Franchise taxes	772,000	772,000	783,344	11,344
License and permits	169,375	185,647	173,777	(11,870)
Fine and forfeitures	242,000	247,000	254,136	7,136
Investment earnings	6,000	15,000	15,886	886
Other	39,400	83,217	83,424	207
Total Revenue	4,798,601	4,872,690	4,881,415	8,725
<b>Expenditures</b>				
<i>Current:</i>				
General government	1,614,342	1,672,804	1,597,249	75,555
Public safety	2,394,621	2,413,032	2,216,437	196,595
Public works	930,861	977,078	959,467	17,611
<b>Capital Outlay</b>	172,875	333,949	333,676	273
<b>Total Expenditures</b>	5,112,699	5,396,863	5,106,829	290,034
<i>Excess (Deficiency) of revenues over (under) expenditures</i>	(314,098)	(524,173)	(225,414)	298,759
<b>Other Financing Sources</b>				
Capital leases	-	176,864	176,864	-
Total other financing sources	-	176,864	176,864	-
Net change in fund balance	(314,098)	(347,309)	(48,550)	298,759
Fund balance - beginning	1,474,765	1,474,765	1,474,765	-
Fund balance - ending	\$ 1,160,667	\$ 1,127,456	\$ 1,426,215	\$ 298,759

*See independent auditors' report.*

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Continued)  
For the Year Ended September 30, 2017**

Budget and Budgetary Accounting

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

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

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

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

For the year ending September 30, 2017, expenditures did not exceed appropriations in any of the General Fund departments.

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

	Last Ten Years*									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service cost	\$ 434,657	\$ 426,311	\$ 385,401	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest (on the total pension liability)	771,006	750,133	708,090	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	(44,684)	(264,874)	(248,483)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change of assumptions	-	82,954	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(330,730)	(254,426)	(275,261)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	830,249	740,098	569,747	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	11,370,341	10,630,243	10,060,496	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	\$ 12,200,590	\$ 11,370,341	\$ 10,630,243	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
<b>Plan fiduciary net position</b>										
Contribution - employer	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution - employee	218,938	217,395	207,581	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	577,467	12,077	426,592	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(330,730)	(254,426)	(275,261)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(6,522)	(7,357)	(4,453)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(352)	(363)	(366)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	843,820	358,948	730,408	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	8,544,394	8,185,446	7,455,038	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	\$ 9,388,214	\$ 8,544,394	\$ 8,185,446	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net Pension Liability - ending (a) - (b)	\$ 2,812,376	\$ 2,825,947	\$ 2,444,797	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position as a percentage of total pension liability	76.95%	75.15%	77.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$ 3,124,784	\$ 3,104,958	\$ 2,965,437	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net position liability as a percentage of covered employee payroll	90.00%	91.01%	82.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* GASB 68 requires ten years of data to be provided in this schedule, however, only three years are currently available.

Notes to schedule: N/A

*See independent auditors' report.*

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

	<b>2016</b>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	<b>\$ 385,019</b>	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the actuarially determined contributions	<b>\$ 385,019</b>	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution deficiency (Excess)	<b>\$ -</b>	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered employee payroll	<b>\$ 3,195,881</b>	\$ 3,140,070	\$ 3,043,128	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution as a percentage of covered employee payroll	<b>12.05%</b>	12.47%	12.37%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*GASB 68 requires ten years of data to be provided in this schedule, however, only two years are currently available.

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

Notes to Schedule of Employer Contributions

**Valuation Date**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	10 years smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50 to 10.50%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including Inflation
Retirement age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information	There were no benefit changes during the year



**OTHER SUPPLEMENTARY INFORMATION**



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

*September 30, 2017*

Funds	Identification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2017	Accrued Interest
<b>General Fund</b>					
TexPool	840500001	0.40%	N/A	\$ 75,931	\$ -
Logic	742017295	0.75%	N/A	703,656	-
Texas First Bank MM	10084929	0.10%	N/A	1,279	-
Compass Bank CD	20451P-SL-1	1.40%	5/25/2018	200,000	-
American Express Bank CD	02587C-FP-0	1.65%	3/1/2019	150,000	-
First Technology FCU CD	33715L-AF-7	1.60%	8/30/2018	245,000	-
Franklin Synergy Bank CD	35471T-DR-0	1.70%	6/28/2019	200,000	-
<b>Total General Fund</b>				<b>1,575,866</b>	<b>-</b>
<b>Debt Service Fund</b>					
TexPool	840500002	0.40%	N/A	210,904	-
<b>Total</b>				<b>\$ 1,786,770</b>	<b>\$ -</b>

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

	General Fund	Debt Service Fund	Total
<b>Taxes receivable - October 1, 2016</b>	\$ 164,500	\$ 15,226	\$ 179,726
Additions and corrections - prior years	(2,634)	35	(2,599)
Adjusted taxes receivable - October 1, 2016	161,866	15,261	177,127
Original tax roll 2016	2,011,395	311,143	2,322,538
Additions and corrections - current year	(68,171)	(10,545)	(78,716)
Adjusted tax roll	1,943,224	300,598	2,243,822
Total to be accounted for	2,105,090	315,859	2,420,949
Tax collections			
Current year	1,889,016	292,211	2,181,227
Prior year	51,636	8,001	59,637
Total collections	1,940,652	300,212	2,240,864
<b>Taxes receivable - September 30, 2017</b>	<b>\$ 164,438</b>	<b>\$ 15,647</b>	<b>180,085</b>
<b>Taxes receivable - by tax year</b>			
2016	\$ 53,743	\$ 8,315	\$ 62,058
2015	21,450	3,408	24,858
2014	13,522	2,265	15,787
2013	9,931	1,659	11,590
2012	8,435	-	8,435
2011 - prior	57,357	-	57,357
<b>Taxes receivable - September 30, 2017</b>	<b>\$ 164,438</b>	<b>\$ 15,647</b>	<b>\$ 180,085</b>

	2016	2015	2014
Property valuations			
Total property valuations	\$ 687,866,953	\$ 631,720,580	\$ 594,589,235
Tax rates Per \$100 valuations			
Maintenance and operations	\$ 0.2825	\$ 0.2977	\$ 0.3074
Debt service	0.0437	0.0473	0.0515
Total Tax Rate per \$100 Valuation	\$ 0.3262	\$ 0.3450	\$ 0.3589
Tax rolls	\$ 2,243,822	\$ 2,179,436	\$ 2,133,981

**City of Santa Fe  
Supplementary Information  
Comparative Balance Sheet – General Fund**

<i>As of September 30,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	<b>63,322</b>	69,506
Investments	<b>1,575,866</b>	1,587,363
Receivables:		
Property tax	<b>139,072</b>	140,108
Sales tax, franchise tax and other	<b>693,801</b>	674,549
Prepays	<b>5,388</b>	1,549
Restricted cash and equivalents	<b>18,448</b>	18,430
<b>Total Assets</b>	<b>\$ 2,495,897</b>	<b>\$ 2,491,505</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>292,975</b>	\$ 279,619
Refundable deposits	<b>116,400</b>	118,200
Unearned revenue	<b>530,725</b>	492,057
<b>Total Liabilities</b>	<b>940,100</b>	889,876
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property taxes	<b>129,582</b>	126,864
<b>Fund Balance</b>		
Restricted	<b>18,448</b>	18,430
Assigned	<b>163,751</b>	314,098
Unassigned	<b>1,244,016</b>	1,142,237
<b>Total Fund Balance</b>	<b>1,426,215</b>	1,474,765
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,495,897</b>	<b>\$ 2,491,505</b>

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

Year ended September 30, 2017 with Comparative Actual Balances for Year ended September 30, 2016

	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenue</b>				
Property Tax	\$ 1,960,576	\$ 1,930,531	\$ (30,045)	\$ 1,868,328
Penalties and interest	30,000	25,823	(4,177)	25,802
Sales taxes	1,579,250	1,614,494	35,244	1,533,679
Franchise taxes	772,000	783,344	11,344	794,525
License and permits	185,647	173,777	(11,870)	211,644
Fines and forfeitures	247,000	254,136	7,136	245,945
Intergovernmental	-	-	-	7,414
Investment earnings	15,000	15,886	886	55,234
Other	83,217	83,424	207	143,572
<b>Total revenue</b>	<b>4,872,690</b>	<b>4,881,415</b>	<b>8,725</b>	<b>4,886,143</b>
<b>Expenditures</b>				
<b>General Government</b>				
General administration	688,377	666,621	21,756	810,012
Tax	21,868	20,483	1,385	19,580
Community center	19,935	16,954	2,981	16,741
Library	240,308	234,624	5,684	215,470
Judicial	259,246	253,931	5,315	265,198
Parks	123,896	97,393	26,503	114,363
Community services	319,174	307,243	11,931	298,925
<b>Total general government</b>	<b>1,672,804</b>	<b>1,597,249</b>	<b>75,555</b>	<b>1,740,289</b>
<b>Public safety</b>				
Police	2,384,854	2,201,427	183,427	2,090,646
Fire marshall	28,178	15,010	13,168	15,469
<b>Total public safety</b>	<b>2,413,032</b>	<b>2,216,437</b>	<b>196,595</b>	<b>2,106,115</b>
<b>Public works</b>				
Public safety	101,465	100,651	814	102,953
Streets	875,613	858,816	16,797	822,628
<b>Total public works</b>	<b>977,078</b>	<b>959,467</b>	<b>17,611</b>	<b>925,581</b>
<b>Grant expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>969</b>
<b>Capital Outlay</b>	<b>333,949</b>	<b>333,676</b>	<b>273</b>	<b>636,726</b>
<b>Total expenditures</b>	<b>5,396,863</b>	<b>5,106,829</b>	<b>290,034</b>	<b>5,409,680</b>
Deficiency of revenues under expenditures	(524,173)	(225,414)	298,759	(523,537)
<b>Other financing sources</b>				
Capital leases	176,864	176,864	-	424,353
<b>Total other financing sources</b>	<b>176,864</b>	<b>176,864</b>	<b>-</b>	<b>424,353</b>
Net change in fund balance	(347,309)	(48,550)	298,759	(99,184)
<b>Fund Balance - beginning</b>	<b>1,474,765</b>	<b>1,474,765</b>	<b>-</b>	<b>1,573,949</b>
<b>Fund Balance - ending</b>	<b>\$ 1,127,456</b>	<b>\$ 1,426,215</b>	<b>\$ 298,759</b>	<b>\$ 1,474,765</b>

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

*For the year ended September 30, 2016*

Type of Coverage	Amount of Coverage	Name	Type of Corp.	Policy Clause
<b><u>Fidelity Bonds</u></b> Public employees blanket bond	\$ 10,000	The Hartford	Gov't.	None
<b><u>Surety Bonds</u></b> Crime Policy Depositor's forgery coverage	\$ 50,000 n/a	The Hartford	Gov't.	None
<b><u>Real and Personal Property</u></b> Property damage Mobile Equipment Boiler & Machinery	\$ 10,259,404 \$ 1,303,393 \$ 100,000	Texas Municipal League (IRP)	Gov't	None
<b><u>Automobile Liability:</u></b> <b><u>Commercial</u></b> Bodily injury - each person Property damage - each occurrence	\$ 25,000 \$ 1,000,000	Texas Municipal League (IRP)	Gov't.	None
<b><u>Worker's Compensation</u></b>	Statutory	Texas Municipal League (IRP)	Gov't.	None
<b><u>General Liability - Occurrence/Annual Aggregate</u></b>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None
<b><u>Public Official Liability - Occurrence/Annual Aggregate</u></b>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None
<b><u>Windstorm and Hail</u></b> Property damage Mobile equipment	\$ 7,086,858 6,617,048 1,303,593	Texas Municipal League / Victor O. Schinneren & Co. Inc. / AMRise Carriers	Gov't.	None
<b><u>Law Enforcement Liability - Occurrence/Annual Aggregate</u></b>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal League (IRP)	Gov't.	None

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

Fiscal Year	Total Requirements - All Long-Term Debt			General Obligation Bonds, Series 2013								
	Ending	Principal	Interest	Total	Principal	Interest	Total					
2018	\$	334,396	\$	126,687	\$	461,083	\$	145,000	\$	118,675	\$	263,675
2019		257,778		117,956		375,734		150,000		114,250		264,250
2020		199,997		110,947		310,944		150,000		109,750		259,750
2021		155,000		105,175		260,175		155,000		105,175		260,175
2022		160,000		100,450		260,450		160,000		100,450		260,450
2023		165,000		95,575		260,575		165,000		95,575		260,575
2024		170,000		89,700		259,700		170,000		89,700		259,700
2025		180,000		82,700		262,700		180,000		82,700		262,700
2026		185,000		75,400		260,400		185,000		75,400		260,400
2027		195,000		67,800		262,800		195,000		67,800		262,800
2028		200,000		59,900		259,900		200,000		59,900		259,900
2029		210,000		51,700		261,700		210,000		51,700		261,700
2030		220,000		42,000		262,000		220,000		42,000		262,000
2031		230,000		30,750		260,750		230,000		30,750		260,750
2032		245,000		18,875		263,875		245,000		18,875		263,875
2033		255,000		6,375		261,375		255,000		6,375		261,375
	\$	3,362,171	\$	1,181,990	\$	4,544,161	\$	3,015,000	\$	1,169,075	\$	4,184,075

Fiscal Year	Capital Lease - Various Radios			Capital Lease - Vehicles / Cameras								
	Ending	Principal	Interest	Total	Principal	Interest	Total					
2018	\$	24,062	\$	556	\$	24,618	\$	60,011	\$	1,296	\$	61,307
	\$	24,062	\$	556	\$	24,618	\$	60,011	\$	1,296	\$	61,307

Fiscal Year	Capital Lease - Gradall excavator			Capital Lease - Vehicles / Cameras								
	Ending	Principal	Interest	Total	Principal	Interest	Total					
2018	\$	47,692	\$	3,502	\$	51,194	\$	57,631	\$	2,658	\$	60,289
2019		48,832		2,362		51,194		58,946		1,344		60,290
2020		49,997		1,197		51,194		-		-		-
	\$	146,521	\$	7,061	\$	153,582	\$	116,577	\$	4,002	\$	120,579