



City of Santa Fe, Texas

FINANCIAL STATEMENTS

September 30, 2020



	Page
INTRODUCTORY SECTION	
Principal Officials	1
FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis	6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to Financial Statements	20
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	53
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – Santa Fe Economic Development Corporation	55
Schedule of Changes in Net Pension Liability	57
Schedule of Employer Contributions	58
Other Supplementary Information	
Schedule of Temporary Investments	61
Analysis of Taxes Levied and Receivable	62



	Page
Other Supplementary Information (Continued)	
Comparative Balance Sheets – General Fund	63
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (with comparative actual balances)	64
Schedule of Insurance Coverage	65
Combining Schedule of Long-term Debt by Maturity Date – Governmental Activities	66
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS	
Schedule of Expenditures of Federal Awards	68
Notes to Schedule of Expenditures of Federal Awards	69
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	70
Independent Auditors’ Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	72
Schedule of Findings and Questioned Costs	74

INTRODUCTORY SECTION

**City of Santa Fe, Texas
Principal Officials
As of September 30, 2020**

MAYOR

Jason Tabor

CITY COUNCIL

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

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

CITY MANAGER

Glen Adams

CITY SECRETARY/TREASURER

Janet Davis

FINANCIAL SECTION

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Special Revenue Fund – Santa Fe Economic Development Corporation, which is a major fund and represents 19 percent, 26 percent, and 9 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Special Revenue Fund – Santa Fe Economic Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Special Revenue Fund – Santa Fe Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Santa Fe, Texas, as of September 30, 2020, 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 6 to 13, the budgetary comparison information on pages 53 to 56, the schedule of changes in net pension liability and the schedule of employer contributions on pages 57 to 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of the City of Santa Fe, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Santa Fe, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Fe, Texas' internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
March 29, 2021

City of Santa Fe, Texas 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, 2020. 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 \$19,345,315 (net position).
- The City's total net position increased by \$635,822 during the year.
- The City's total expenses were \$7,585,773. Program revenues of \$1,794,945 decreased the net cost of the City's functions to be financed from the City's general revenues to \$5,790,828.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$2,454,671 or 42 percent of total general fund expenditures.

Overview of the Financial Statements:

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

Government-wide Financial Statements:

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

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

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

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

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

Fund Financial Statements

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

The City only maintains governmental funds.

Governmental Funds

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

The City maintains four individual governmental funds for financial reporting purposes: the General Fund, the Debt Service Fund and two Special Revenue Funds: the Grants Fund and the Santa Fe Economic Development Corporation. The Corporation is considered a blended component unit and presented as a governmental fund within the City. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds, which are considered to be major funds as of September 30, 2020.

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 51 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and Special Revenue Fund budgets and the City's pension benefits provided to its employees. Required supplementary information can be found on pages 53 through 59 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,345,315 as of September 30, 2020.

The largest portion of the City's net position, \$14,645,630 reflects its net investment in capital assets (e.g. land, infrastructure, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position, \$4,724,190, 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, 2020, unrestricted net position has a deficit balance of \$24,505 which can be attributed primarily to the City's net pension liability that was initially recorded in fiscal year 2015. The deficit in unrestricted net position decreased by \$328,021 from the prior year.

<i>September 30,</i>	2020	2019
Assets		
Current and other assets	\$ 8,954,601	\$ 7,685,602
Capital assets	17,903,592	18,136,383
Total assets	26,858,193	25,821,985
Deferred outflows of resources		
Deferred outflows - pension plan	217,579	1,253,802
Liabilities		
Long-term liabilities outstanding	6,495,127	6,917,071
Other liabilities	1,053,044	882,258
Total liabilities	7,548,171	7,799,329
Deferred inflows of resources		
Deferred inflows - pension plan	182,286	566,965
Net Position		
Net investment in capital assets	14,645,630	14,997,688
Restricted	4,724,190	4,064,331
Unrestricted	(24,505)	(352,526)
Total net position	\$ 19,345,315	\$ 18,709,493

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

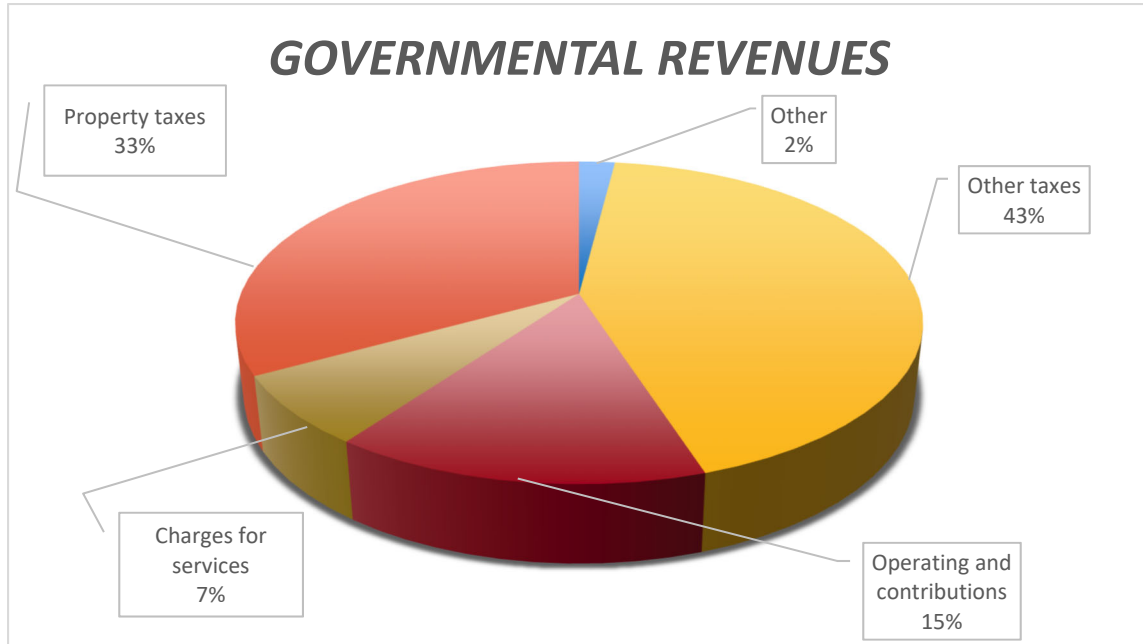
Governmental Activities

The net position relating to governmental activities of the City increased by \$627,588. Key elements of the change are as follows:

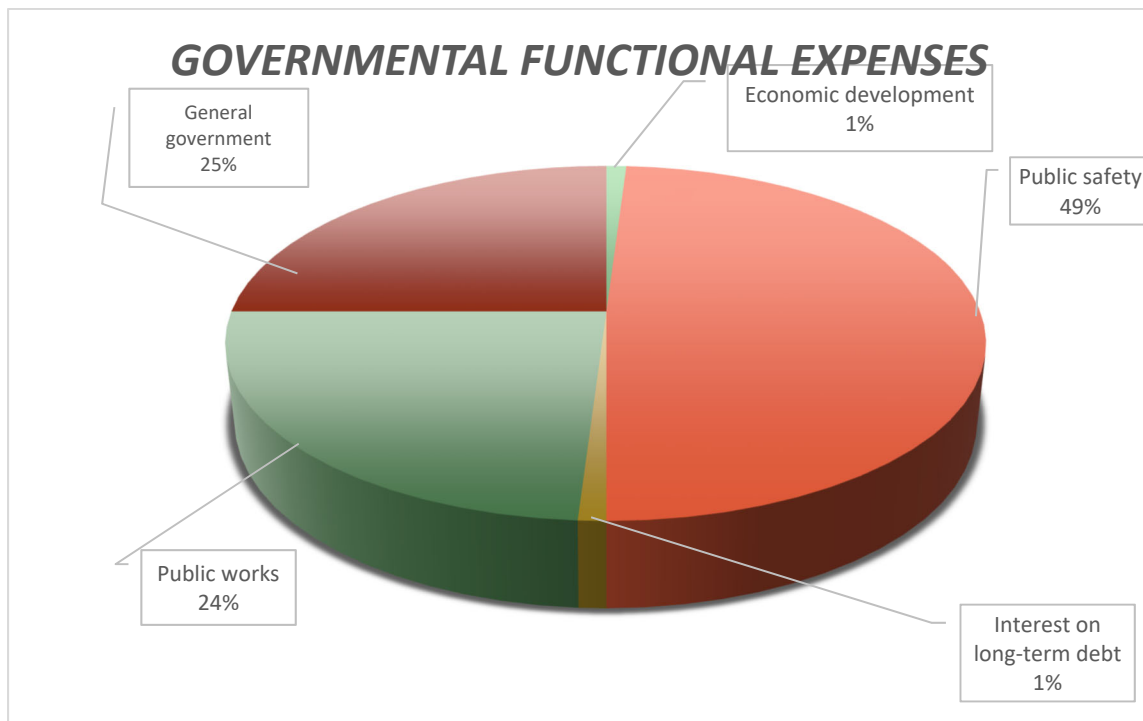
<i>For the years ended September 30,</i>	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 535,070	\$ 557,598
Operating grants and contributions	1,241,573	516,224
Capital grants and contributions	18,302	307,816
General revenues:		
Property taxes	2,702,771	2,559,926
Other taxes	3,561,117	3,397,712
Other	162,762	143,528
Total revenues	8,221,595	7,482,804
Expenses:		
General government	1,902,200	1,761,524
Economic development	40,702	25,762
Public safety	3,727,487	3,067,777
Public works	1,805,378	1,805,482
Interest	110,006	110,338
Total expenses	7,585,773	6,770,883
Change in net position	635,822	711,921
Net position - beginning	18,709,493	17,997,572
Net position - ending	\$ 19,345,315	\$ 18,709,493

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

Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's 2020 activities.



For the fiscal year ended September 30, 2020, revenue from governmental activities totaled \$8,221,595 primarily from property and other taxes.



For the fiscal year ended September 30, 2020, expenses from governmental activities totaled \$7,584,773, the largest portion of which relates to Public Safety (49%).

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of September 30, 2020, the City's governmental funds reported an ending fund balance of \$7,594,980 which is an increase of \$1,070,904 from last year's total of \$6,524,076. 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 42 percent of total General Fund expenditures.

General Fund Budgetary Highlights

During the year, there were no material increases or decreases in appropriations between the original and final budget of the General Fund. The final budget reflected the City's anticipated expenditures for various capital assets for which funding was not originally approved.

General Fund Highlights

Fund balance in the General Fund increased \$536,061 to \$2,680,866. If needed, the use of available fund balance will avoid the need to significantly raise taxes in the near future.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's capital assets as of September 30, 2020, amounts to \$17,903,592 (net of accumulated depreciation). These capital assets includes land and improvements, buildings, machinery and equipment and infrastructure.

Capital Assets (Net of Accumulated Depreciation)

<i>September 30,</i>	2020	2019
Land	\$ 546,297	\$ 546,297
Buildings	3,247,181	3,288,864
Machinery and equipment	1,294,257	1,091,319
Infrastructure	10,384,391	10,832,755
Infrastructure improvements	1,915,841	2,085,035
Police canine	6,428	7,714
Construction in progress	509,197	284,399
Total	\$ 17,903,592	\$ 18,136,383

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

Increases in capital assets were mainly attributable to improvements to City's streets and the acquisition of new police department vehicles and related mobile equipment. Additional information on the City's capital assets can be found in Note 6 on page 39.

Long-Term Debt

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

General Obligation Bonds and Other Liabilities

<i>September 30,</i>	2020	2019
General obligation bonds, net	\$ 2,570,000	\$ 2,720,000
Bond premium	120,675	130,732
Capital leases	567,285	287,963
Compensated absences	869,234	798,323
Net pension liability	2,367,933	2,980,053
Total	\$ 6,495,127	\$ 6,917,071

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

In considering the budget for the 2020/21 fiscal year, the City Council and management considered the following factors:

- The City's largest source of revenue in the general fund is the ad valorem taxes. The City's 2020 no new revenue rate of \$0.294043 per \$100 valuation was adopted without increase, so additional property tax revenue is based on the \$18,930,008 assessed value of new improvements. The tax rate consists of the maintenance and operations (M&O) rate of \$0.267366 and the debt service (I&S) rate of \$.026677. The taxable value for 2020 is \$787,464,038, an increase of about \$100,182,418 from last year's value of \$682,409,052, consisting mainly of increases in land values. The City Council opted to continue the tax freeze on the property tax amounts imposed on residence homesteads of disabled individuals and individuals age 65 and older. The value of properties under the tax ceiling is \$239,571,020, or approximately 30 percent of the taxable value.

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

- The City's second largest source of revenue in the general fund is sales tax. The city projects a healthy growth in sales tax collections from the prior year budget of \$2,040,000, to \$2,250,000, approximately 10 percent.
- Other significant general revenues are development permit fees and municipal court fines. The budget projection for license and permit fees, excluding community park fee revenue and related projects, is expected to decrease about 10 percent from \$263,373, to \$235,975, as the effects of the global pandemic trickle down. Development is expected to increase later in the year and Council has funded an additional building inspector position to help with the anticipated work load. Municipal court fine budgeted revenues are expected to increase from the 2019/20 fiscal year of \$160,000 to \$250,000, or about 36 percent, as the court begins to slowly reopen to the backlog of cases following the pandemic shutdown. Improved technology, collection programs, and credit card services have been implemented in an effort to improve long-term collections.
- Budgeted interest earnings are projected to decrease about 25 percent as the global economic downturn remains in force but banking incentive programs and longer-term investment instruments are utilized to improve yield.
- For the 2020/21 fiscal year, the employee retirement contribution was increased from 1.5:1 to 2:1 effective January 1, 2021, as an employment retaining incentive and to fill the gap since employees are not covered by the federal social security program. The City appropriated \$173,310 of the available fund balance for general fund spending. This leaves \$2,071,517 in estimated reserves, which is about 32.9 percent of general fund appropriations. The City's policy is to maintain general fund reserves of a least 3 months operating expenses, estimated to be \$1,572,309 for the 2020/21 fiscal year, or 25 percent of operating expenses.

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

REQUEST FOR INFORMATION

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

City of Santa Fe, Texas
Statement of Net Position

September 30,	2020
Assets	
Cash and cash equivalents	\$ 696,194
Investments	6,449,978
Receivables, net	
Property tax	194,056
Intergovernmental	717,870
Sales tax, franchise tax and other	850,880
Prepaid and other assets	27,120
Restricted cash and cash equivalents	18,503
Capital assets, net of depreciation	17,903,592
<hr/>	
Total assets	26,858,193
<hr/>	
Deferred Outflows of Resources	
Deferred outflows - pension plan	217,579
<hr/>	
Liabilities	
Accounts payable	565,399
Accrued interest payable	8,958
Refundable deposit	116,800
Unearned revenue	361,887
Noncurrent liabilities	
Due within one year	851,303
Due in more than one year	5,643,824
<hr/>	
Total liabilities	7,548,171
<hr/>	
Deferred Inflows of Resources	
Deferred inflows - pension plan	182,286
<hr/>	
Net Position	
Net investment in capital assets	14,645,630
Restricted	4,724,190
Unrestricted	(24,505)
<hr/>	
Total net position	\$ 19,345,315
<hr/> <hr/>	

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, 2020		Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Functions / Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	All Governmental Activities
Governmental Activities:					
General government	\$ 1,902,200	\$ 530,310	\$ 87,511	\$ 18,302	\$ (1,266,077)
Economic development	40,702	-	-	-	(40,702)
Public safety	3,727,487	-	1,154,062	-	(2,573,425)
Public works	1,805,378	4,760	-	-	(1,800,618)
Interest on long-term debt	110,006	-	-	-	(110,006)
Total governmental activities	\$ 7,585,773	\$ 535,070	\$ 1,241,573	\$ 18,302	(5,790,828)
General Revenues					
Sales taxes					2,791,143
Property taxes, penalties and interest					2,702,771
Franchise taxes					769,974
Miscellaneous					78,027
Investment earnings					84,735
Total general revenues					6,426,650
Change in net position					635,822
Net Position - beginning					18,709,493
Net Position - ending				\$	19,345,315

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

City of Santa Fe, Texas
Balance Sheet
Governmental Funds

September 30, 2020	General Fund	Debt Service Fund	Special Revenue Funds		Total Governmental Funds
			Grants Fund	Santa Fe Economic Development Corporation	
Assets					
Cash and cash equivalents	\$ 300,703	\$ 165,792	\$ 1,953	\$ 227,746	\$ 696,194
Investments	2,041,301	221,172	-	4,187,505	6,449,978
Receivables, net					
Taxes	173,720	20,336	-	-	194,056
Intergovernmental	-	-	598,066	119,804	717,870
Sales tax, franchise tax and other	844,420	6,460	-	-	850,880
Due to/ from other funds	422,844		(422,844)	-	-
Prepaid and other assets	27,120	-	-	-	27,120
Restricted cash and cash equivalents	18,503	-	-	-	18,503
Total assets	\$ 3,828,611	\$ 413,760	\$ 177,175	\$ 4,535,055	\$ 8,954,601
Liabilities					
Accounts payable and accrued liabilities	\$ 378,284	\$ -	177,175	\$ 9,940	\$ 565,399
Refundable deposits	116,800	-	-	-	116,800
Unearned revenue	355,427	6,460	-	-	361,887
Total liabilities	850,511	6,460	177,175	9,940	1,044,086
Deferred Inflows of Resources					
Unavailable revenue	297,234	18,301	-	-	315,535
Total deferred inflows of resources	297,234	18,301	-	-	315,535
Fund Balances					
Nonspendable					
Prepays and other assets	27,120	-	-	-	27,120
Restricted	199,075	388,999	-	-	588,074
Committed	-	-	-	4,525,115	4,525,115
Unassigned	2,454,671	-	-	-	2,454,671
Total fund balances	2,680,866	388,999	-	4,525,115	7,594,980
Total liabilities, deferred inflows of resources and fund balances	\$ 3,828,611	\$ 413,760	\$ 177,175	\$ 4,535,055	\$ 8,954,601

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, 2020

Total fund balances - governmental funds	\$	7,594,980
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		17,903,592
Deferred inflows and outflows of resources pertaining to actuarial pension differences between expected and actual economic experience \$84,676, changes of actuarial assumptions \$22,824, projected and actual investment earnings (\$361,128), and pension contributions made subsequent to the measurement date \$288,921 are not financial resources and, therefore, are not reported in the governmental funds.		35,293
Revenues that do not provide current financial resources are reported as deferred in the governmental funds.		315,535
Long-term liabilities and related interest payable, and capital leases are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(6,504,085)
Net position of governmental activities	\$	19,345,315

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, 2020	Special Revenue Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Grants Fund	Santa Fe Economic Development Corporation	
Revenues					
Property taxes	\$ 2,340,685	\$ 309,896	\$ -	\$ -	\$ 2,650,581
Penalties and interest	26,251	3,490	-	-	29,741
Sales taxes	2,095,756	-	-	695,387	2,791,143
Franchise taxes	769,974	-	-	-	769,974
Licenses and permits	327,840	-	-	-	327,840
Fines and forfeitures	163,871	-	-	-	163,871
Investment earnings	32,915	2,440	-	49,380	84,735
Intergovernmental	21,350	-	1,224,293	-	1,245,643
Contributions	3,767	-	-	-	3,767
Other	148,743	-	-	-	148,743
Total revenues	5,931,152	315,826	1,224,293	744,767	8,216,038
Expenditures					
Current					
General government	1,803,677	-	-	-	1,803,677
Economic development	-	-	-	40,702	40,702
Public safety	2,277,818	-	-	-	2,277,818
Public works	918,495	-	-	-	918,495
Grant and program expenditures	-	-	1,224,293	-	1,224,293
Capital Outlay	664,235	-	-	224,798	889,033
Debt service:					
Principal	197,290	150,000	-	-	347,290
Interest and fiscal charges	10,188	110,250	-	-	120,438
Total expenditures	5,871,703	260,250	1,224,293	265,500	7,621,746
Excess of revenues over expenditures	59,449	55,576	-	479,267	594,292
Other Financing Sources					
Capital leases	476,612	-	-	-	476,612
Total other financing sources	476,612	-	-	-	476,612
Net change in fund balances	536,061	55,576	-	479,267	1,070,904
Fund Balances - beginning of year	2,144,805	333,423	-	4,045,848	6,524,076
Fund Balances - ending of year	\$ 2,680,866	\$ 388,999	\$ -	\$ 4,525,115	\$ 7,594,980

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, 2020

Net change in fund balances - total governmental funds	\$	1,070,904
Repayment of debt principal and capital lease is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		347,290
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		889,033
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.		(1,100,847)
Capital assets disposed during the period, reported in prior years as expenditures in the governmental funds		(20,978)
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.		(476,612)
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.		(83,025)
Change in net position of governmental activities	\$	635,822

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

City of Santa Fe, Texas Notes to 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 government or other type of reporting entity. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component unit

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

The City of Santa Fe Section 4B Economic Development Corporation was organized for the purpose of aiding, assisting and acting on behalf of the City of Santa Fe to promote and develop economic development projects designed to promote new and expanded business enterprises. The members of the Corporation's governing board as well as its operational and capital budgets are approved by City Council. The Corporation is funded through a sales tax levy of one-half of one percent. The operations of the Corporation are governmental in nature. The Corporation is reported as a major special revenue fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.

Note1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented as major funds all funds that meet the qualifications of GASB Cod. Sec. 2100.

The following are reported as major governmental funds:

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

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

Special Revenue Funds

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

The following grants/programs are included in this fund:

The Treasury Department – Coronavirus Relief Fund, the CARES Act – Payments from this fund only can be used to cover costs that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19); were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Transfers between the funds included in governmental activities are eliminated.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit. No more than 35% of the portfolio may be invested for a period greater than one year and no portion of a portfolio may be invested for a period greater than two years.

Investments

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Codification 3100, *Fair Value Measurements*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard establishes a hierarchy in which fair value measurements are categorized.

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 Cod. Sec. 1400 - *Reporting Capital Assets*, all capital assets are recorded and depreciated in the government-wide financial statements. Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, drainage systems and similar items) are reported at cost or estimated historical cost, including all ancillary charges necessary to place the asset in its intended location and condition for use. Donated capital assets are reported at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest costs related to a capital asset or incurred during the construction phase of a capital asset is expensed and not capitalized. Capital assets are defined for financial statement purposes as assets with an estimated economic useful life in excess of one year and meet specific capitalization thresholds.

City of Santa Fe, Texas
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

Asset type	Useful life	Capitalization Threshold
Buildings	40 years	\$ 25,000
Building improvements	15 years	\$ 25,000
Improvements, other than buildings	15 years	\$ 20,000
Infrastructure	60 years	\$ 100,000
Infrastructure improvements	15 years	\$ 100,000
Computer and computer equipment	5 years	\$ 1,000
Equipment	10 years	\$ 2,500
Furniture	10 years	\$ 1,000
Police canine	7 years	\$ 5,000
Radios and communication equipment	10 years	\$ 1,000
Vehicles	10 years	\$ 2,500
Library books and materials	10 years	\$ 10,000

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)

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 either (a) not in spendable form – such as prepaids and other assets or (b) legally or contractually required to maintained intact.

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 Corporation's fund balances are classified as committed for infrastructure improvements.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Financial Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City has not yet determined the impact of this pronouncement on its financial statements and disclosures.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 29, 2021, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 2: BUDGETARY ACCOUNTING

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

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

Note 2: BUDGETARY ACCOUNTING (Continued)

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

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

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

Investment Policy

The City's Investment Policy, followed by the Corporation, specifies that depository services must be approved by City Council. The City Manager and City Secretary/Treasurer are designated as investment officers of the City and the Corporation, and are responsible for investment decisions and activities. All deposits and investments of City funds shall be secured by pledged collateral. The collateralization level will be 102 percent of market value of principal and accrued interest on the deposits or investments less an amount insured by FDIC. In accordance with its investment policy, the City manages its exposure to declines in fair market values by not investing more than 35% of the portfolio for a period greater than one year and no portion of a portfolio may be invested for a period greater than two years. As of September 30, 2020, all of the City's investments were invested for a period of one year or less. It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA by a nationally recognized rating agency.

Investment pools must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service. The investments are in compliance with the Council's investment policy. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments and deposits were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

Deposits

Deposits were with a contracted depository bank in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and pledged by U. S. Government securities. The pledge agreement requires that the City have a first and prior lien on the securities to the extent of its funds on deposit and that none of the securities can be pledged or subjected to any lien other than that of the City.

City of Santa Fe, Texas
Notes to Financial Statements

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The City's deposits are categorized below to indicate the level of risk assumed by the City as of September 30, 2020:

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, 2020, were secured by depository insurance or by collateral held by a third-party custodian in the City's name, and therefore were not exposed to custodial credit risk.

At September 30, 2020, the City's carrying amount of deposits was \$486,451 and the bank balance was \$651,108. The total bank balance is covered by federal depository insurance. The cash balance is also collateralized with securities held by the pledging financial institution or by its trust department or agent in the City's name (Risk Category 1).

At September 30, 2020, the Corporation's carrying amount of deposits was \$227,746 and the bank balance was \$227,228. The total bank balance is covered by federal depository insurance. The cash balance is also collateralized with securities held by the pledging financial institution or by its trust department or agent in the Corporation's name (Risk Category 1).

At September 30, 2020, the carrying value of cash and cash equivalents (which approximated fair value) consisted of:

<i>September 30, 2020</i>	City Funds	Santa Fe Economic Development Corporation	Total
Demand and time deposits	\$ 486,451	\$ 467	\$ 486,918
Money market account	-	227,279	227,279
Petty cash	500	-	500
Total cash and cash equivalents	486,951	227,746	714,697
Less restricted cash and cash equivalents	(18,503)	-	(18,503)
Unrestricted cash and cash equivalents	\$ 468,448	\$ 227,746	\$ 696,194

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, 2020:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 1,614,835	1	71.4%	AAAm
Certificate of deposit	240,000	720	10.6%	
Money market mutual fund	407,638	1	18.0%	
	\$ 2,262,473		100.0%	

The City has a certificate of deposit acquired from a financial institution in the amount of \$240,000 with interest of 1.6%. The certificate of deposit matures February 2022 and the certificate of deposit is insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration up to \$250,000, including interest.

The Corporation has the following investments as of September 30, 2020:

Investment Type	Value	Weighted Average Maturity (Days)	Allocation	Rating
Local government investment pools	\$ 3,744,985	1	89.4%	AAAm
Certificates of deposit	442,520	9	10.6%	
	\$ 4,187,505		100.0%	

The Corporation's certificates of deposit are maintained with two financial institutions in amounts ranging from \$200,000 to \$242,520 with interest ranging from 2.80% to 3.05%. The certificates of deposit mature at dates ranging from November 2020 to February 2021 and the certificates of deposit are insured by either the Federal Deposit Insurance Corporation or the National Credit Union Administration up to \$250,000, including interest.

TexPool - The City and the Corporation are participants in a Texas Local Government Investment Pool (TexPool), an external investment pool that has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two Acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. In addition to its annual review by an independent auditor, TexPool is subject to review by the State Auditor and the Internal Auditor of the Comptroller's Office. Results of these annual reviews may be obtained from TexPool Participant Services, c/o Federated Investors, Inc., 1001 Texas Avenue, Suite 1400, Houston, Texas 77002.

The City and the Corporation had \$797,969 and \$1,356,161 respectively, invested in TexPool as of September 30, 2020. TexPool's administrative and investment services are provided by Federated Investors, Inc., and the assets are safe kept in a separate custodial account at State Street Bank and Trust in the name of TexPool.

The TexPool portfolio is made up of the following:

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

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

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

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

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

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

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

The City and the Corporation had \$816,866 and \$2,388,824, respectively, invested in LOGIC I as of September 30, 2020. The LOGIC I Portfolio is comprised of the following eligible investments:

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

The LOGIC Board has entered into a contract with First Southwest Asset Management, Inc. and J.P. Morgan Investment Management, Inc. to serve as Co-Administrators of the Cooperative. Day to day administration of the Cooperative will be performed by First Southwest Asset Management, Inc. and J.P. Morgan Investment Management, Inc.

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

First Southwest will provide administrative, participant support, and marketing services. J.P. Morgan Investment Management, Inc. or its affiliates will provide investment management, custody, fund accounting, and transfer agency services. J.P. Morgan Chase Bank, N.A. is the custodian for the Cooperative. The financial statements of the Cooperative are examined and a certification issued by an independent certified public accounting firm. An Annual Report including the auditor's opinion is issued as of the close of the Cooperative's fiscal year, which ends August 31. Results of the annual report, investment policies, and an information statement can be obtained from LOGIC Participant Services, 325 North St Paul Street, Suite 800, Dallas, Texas 75201.

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

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

Concentration of credit risk is the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specified issuer. The investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any other instrument. As of September 30, 2020, the City had no concentration of credit risk.

As of September 30, 2020, the City's external investment pools including those of the City's blended component unit, meet the criteria described in GASB Cod. Sec. In5.102 and In5.104, *Investment Pools (External)*, and measure all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

City of Santa Fe, Texas
Notes to Financial Statements

Note 4: RECEIVABLES

Receivables as of September 30, 2020 are as follows:

	Governmental Activities					Total Governmental Funds
	General Fund	Debt Service Fund	Special Revenued Funds		Santa Fe Economic Development Corporation	
Grants Fund						
September 30, 2020						
Property tax	\$ 202,706	\$ 22,497	\$ -	\$ -	\$ -	\$ 225,203
Intergovernmental	-	-	598,066		119,804	717,870
Sales tax, franchise tax and other	2,128,784	7,250	-		-	2,136,034
	2,331,490	29,747	598,066		119,804	3,079,107
Less allowance for collectibility	(1,313,350)	(2,951)	-		-	(1,316,301)
Totals	\$ 1,018,140	\$ 26,796	\$ 598,066		\$ 119,804	\$ 1,762,806

Note 5: INTERFUND ACTIVITY

In the government-wide financial statements, no amounts were reported as “interfund receivables and payables,” “advances from or to other funds,” or “due to and from other funds” as of September 30, 2020. In the governmental fund financial statements as of September 30, 2020, certain amounts are reported as due to and from the general fund and special revenue fund, respectively, representing advances for grant related costs to be repaid upon reimbursement by the granting agency.

City of Santa Fe, Texas
Notes to Financial Statements

Note 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 546,297	\$ -	\$ -	\$ 546,297
Construction in progress	284,399	224,798	-	509,197
Total capital assets, not being depreciated	830,696	224,798	-	1,055,494
Capital assets, being depreciated:				
Buildings	4,021,323	-	-	4,021,323
Buildings improvements	262,758	63,735	-	326,493
Computer	293,480	33,616	5,065	322,031
Equipment	1,650,990	386,035	152,628	1,884,397
Furniture and fixtures	53,445	-	-	53,445
Improvements (other than building)	121,143	-	-	121,143
Infrastructure	26,845,854	-	-	26,845,854
Infrastructure improvements	5,327,351	162,459	-	5,489,810
Radios	209,336	2,575	-	211,911
Police canine	9,000	-	-	9,000
Vehicles	1,000,665	15,815	148,630	867,850
Total capital assets, being depreciated	39,795,345	664,235	306,323	40,153,257
Less accumulated depreciation for:				
Buildings	(843,790)	(92,345)	-	(936,135)
Buildings improvements	(151,427)	(13,073)	-	(164,500)
Computer	(260,336)	(16,005)	(4,056)	(272,285)
Equipment	(1,170,573)	(101,228)	(152,628)	(1,119,173)
Furniture and fixtures	(33,647)	(4,120)	-	(37,767)
Improvements (other than building)	(81,577)	(6,151)	-	(87,728)
Infrastructure	(16,013,099)	(448,364)	-	(16,461,463)
Infrastructure improvements	(3,242,316)	(331,653)	-	(3,573,969)
Radios	(174,039)	(16,012)	-	(190,051)
Police canine	(1,286)	(1,286)	-	(2,572)
Vehicles	(517,567)	(70,610)	(128,661)	(459,516)
Total accumulated depreciation	(22,489,657)	(1,100,847)	(285,345)	(23,305,159)
Total capital assets, being depreciated, net	17,305,688	(436,612)	20,978	16,848,098
Governmental activities capital assets, net	\$ 18,136,384	\$ (211,814)	\$ 20,978	\$ 17,903,592

City of Santa Fe, Texas
Notes to Financial Statements

Note 6: CAPITAL ASSETS (Continued)

Construction in progress of \$509,197 was related to the sanitary sewer line project on FM 1764 Between Winston Street and FM 646N. This project is being conducted by the Corporation. Upon completion of the project the infrastructure assets will be transferred to Galveston County Water Control and Improvement District No. 8 (WCID No.8) per interlocal agreements.

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

<i>September 30, 2020</i>	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 24,000	\$ -	\$ 24,000
Buildings	91,533	(43,582)	47,951
Computer	124,911	(87,479)	37,432
Equipment	1,162,126	(421,811)	740,315
Radios	148,030	(133,187)	14,843
Vehicles	566,543	(209,122)	357,421
Total	\$ 2,117,143	\$ (895,181)	\$ 1,221,962

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

For the year ended September 30,	2020
General government	\$ 19,537
Community service	1,365
Police/judicial	172,996
Library	10,218
Streets	879,900
Community center	7,190
Parks	9,641
Total depreciation expense - governmental activities	\$ 1,100,847

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

City of Santa Fe, Texas
Notes to Financial Statements

Note 7: LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,720,000	\$ -	\$ 150,000	\$ 2,570,000	\$ 155,000
Bond premium	130,732	-	10,057	120,675	-
Capital leases	287,963	476,612	197,290	567,285	184,903
Net pension liability	2,980,053	2,119,938	2,732,058	2,367,933	-
Compensated absences	798,323	414,299	343,388	869,234	511,400
Total	\$ 6,917,071	\$ 3,010,849	\$ 3,432,793	\$ 6,495,127	\$ 851,303

Bonds payable at September 30, 2020, is comprised of the following individual issue:

	Original Issue	Matures	Interest rate (%)	Interest Payment Dates	Debt Outstanding
Governmental Activities:					
General obligation bonds, Series 2013	\$ 3,535,000	2033	3.0-5.0	March 1 / Sept. 1	\$ 2,570,000

Debt service requirements on long-term debt at September 30, 2020 is as follows:

Governmental Activities - General Obligation Bonds			
Fiscal Year Ending September 30,	Principal	Interest	Total
2021	\$ 155,000	\$ 105,175	\$ 260,175
2022	160,000	100,450	260,450
2023	165,000	95,575	260,575
2024	170,000	89,700	259,700
2025	180,000	82,700	262,700
2026-2030	1,010,000	296,800	1,306,800
2031-2033	730,000	56,000	786,000
Total	\$ 2,570,000	\$ 826,400	\$ 3,396,400

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

City of Santa Fe, Texas
Notes to Financial Statements

Note 7: LONG-TERM DEBT (Continued)

A summary of changes in the unamortized bond premium for the year ended September 30, 2020 was as follows:

	Original Premium	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Governmental Activities:					
General obligation bonds, Series 2013	\$ 201,130	\$ 130,732	\$ -	\$ 10,057	\$ 120,675

As September 30, 2020, the future minimum lease payments on the capital leases are as follows:

Fiscal Year Ending September 30,	Governmental Activities
2021	\$ 194,429
2022	122,137
2023	122,137
2024	78,846
2025	78,846
Total minimum lease payment	596,395
Less: amount representing interest	(29,110)
Present value of minimum lease payments	\$ 567,285

The Corporation had no long-term debt as of September 30, 2020.

Note 8: DEFERRED INFLOWS OF RESOURCES – GOVERNMENTAL FUNDS

At September 30, 2020 deferred inflows of resources in the General Fund consisted of earned revenue but unavailable – property taxes of \$176,663 and earned revenue but unavailable – municipal court fines of \$138,872.

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 that can be obtained at www.tmrs.com.

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

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

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

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

Note 9: DEFINED BENEFIT PENSION PLAN (Continued)

- Affected employees who were in pay status as of July 31, 2018, will continue to receive their periodic annuity payments and any applicable future annuity increases (such as cost-of-living adjustments) under the terms of the City's plan design.

While no new additions to member accounts of the affected employees will be made based on compensation for services performed after June 2018, because TMRS is a defined benefit plan, the City and/or GCWCID will be required to make additional contributions to fund the benefits of the affected employees. TMRS will also be sending a letter to each of the active employees to advise them of the corrective action plan and how it affects them individually. Affected employees other than the active employees receive periodic communications from TMRS depending on their individual status (e.g., members receive member annual statements; retirees receive retiree annual statements).

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 11.62% and 11.83% of covered payroll in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$391,116, and were equal to the required contribution.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.5%, including inflation
Investment rate of return	6.75% , net of pension plan investment expense, including inflation

Note 9: DEFINED BENEFIT PENSION PLAN (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2019 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:

City of Santa Fe, Texas
Notes to Financial Statements

Note 9: DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100%	

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

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 13,482,418	\$ 10,502,365	\$ 2,980,053
Changes for the year:			
Service cost	453,302	-	453,302
Interest	908,862	-	908,862
Difference between expected and actual experience	226,678	-	226,678
Changes of assumptions	32,748	-	32,748
Contributions - employer	-	386,453	(386,453)
Contributions - employee	-	232,804	(232,804)
Net investment income	-	1,623,903	(1,623,903)
Benefit payments, including refunds of employee contributions	(488,898)	(488,898)	-
Administrative expense	-	(9,174)	9,174
Other changes	-	(276)	276
Net changes	1,132,692	1,744,812	(612,120)
Balance at December 31, 2019	\$ 14,615,110	\$ 12,247,177	\$ 2,367,933

City of Santa Fe, Texas
Notes to Financial Statements

Note 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 4,529,515	\$ 2,367,933	\$ 615,295
	\$ 4,529,515	\$ 2,367,933	\$ 615,295

Pension plan fiduciary net position

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$433,995. At September 30, 2020, 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	\$ -	\$ (84,676)
Changes of actuarial assumptions	22,824	-
Difference between projected and actual investment earnings	(94,166)	266,962
Contribution subsequent to the measurement date	288,921	-
Total	\$ 217,579	\$ 182,286
	\$ 217,579	\$ 182,286

City of Santa Fe, Texas
Notes to Financial Statements

Note 9: DEFINED BENEFIT PENSION PLAN (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$288,921 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,		
2020	\$	(83,660)
2021		(40,212)
2022		53,241
2023		(182,997)
Total	\$	(253,628)

Note 10: RISK MANAGEMENT

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

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

Note 10: RISK MANAGEMENT (Continued)

United Healthcare provides the City's medical and long-term disability group insurance coverage for eligible employees and their dependents. The Standard provides the City's dental and vision insurance coverage for eligible employees and their dependents. The City pays 100 percent of the premiums for the employees' coverage. The employee may choose to insure their dependents under the medical and dental plans. The employee is responsible for 100 percent of the cost of the dependent premiums and the premiums are payroll deducted each pay period. The City does not retain any risk of loss on health, dental, and long-term disability.

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

Note 11: COMMITMENTS AND 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, 2020.

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.

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

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

The Corporation Board of Directors approved three Sanitary Sewer Project areas on FM 1764 between Winston Street and FM 646 on February 13, 2018. The three designated areas are Project Area 1, Winston Street to Avenue S, Project Area 2, Avenue S to Avenue Q, and Project Area 3, Avenue Q to FM 646. They also approved an interlocal agreement with Galveston County Water Control and Improvement District No. 8 (WCID No. 8) on August 14, 2018. This agreement specifies that the Corporation and WCID No. 8 will work together in relation to the Sanitary Sewer Projects mentioned above. The Corporation will pay for all construction and non-construction costs and enter into contracts with the engineer and construction contractor for the construction of the sanitary sewer improvements. The Corporation will pay for all sewer lines and lift station improvements, including the installation, surveying, engineering, inspection, land acquisition, and right-of-way costs. Sander Engineering Corporation is the approved engineer on the project and will handle all bidding requirements and procedures related to the construction contractor. They anticipate that once the construction starts it will take one full year to complete the project pending COVID-19.

After completion and acceptance of the improvements by the Corporation, they will be made available to WCID No. 8 for use as part of its facilities, along with any land acquisitions and/or right-of-way acquired by the Corporation necessary for the project. WCID No. 8 has agreed to assume full responsibility for the maintenance and operation of the project beginning one year after the completion of the project and its acceptance by the Corporation. Once the project is received by WCID No. 8, the Corporation ceases to bear any further costs or expenses whatsoever in connection with the project.

As of September 30, 2020, the project is estimated to cost between \$4.1 million and \$4.4 million depending on inflation. At this time it is anticipated that the Corporation will be able to fund this entire project and no borrowed funds will be needed. Actual expenditures incurred and reported in the 2019-2020 fiscal year amounted to \$224,798 and cumulative expenditures are \$509,197 as of September 30, 2020. The remaining project costs have not been recorded in the 2019-20 year financial statements but will be incurred and reported in future years as the project continues.

Avenue P Drainage Project

On October 27, 2020, the Corporation's Board of Directors approved entering into an agreement with the City and Galveston County Drainage District No. 1 to improve drainage on Avenue P. This project is necessary to help reduce the flooding of the Highway 6 businesses and residents in the area. The City will take the lead on this drainage project. An engineer will be approved to analyze the area to determine the best design plan necessary for the area. The estimated cost of the engineer will be approximately \$125,000. The City will be asked to contribute \$35,000, Galveston County Drainage District No. 1 between \$25,000 to \$30,000, and the Corporation's contribution will be \$65,000. The total project could take up to a couple years to complete and could possibly be broken down into phases so that the cost of the project can be spread out.

Note 11: COMMITMENTS AND CONTINGENCIES (Continued)

The Corporation's Board of Directors has approved making a request to City Council to contribute \$65,000 to the Avenue P Project and to move forward with the public hearings and newspaper advertisements as needed. No amounts have been recorded in the 2019-20 year financial statements.

Authorization to Expand the Spending Authority of the Corporation

A joint meeting between the Corporation and the City was held on June 7, 2020. A joint letter from the Corporation and the City was sent to Governor Greg Abbott requesting an executive order to temporarily expand the spending authority of the Corporation. The request was to allow the Corporation to provide a grant for financial assistance to small businesses in the community that incurred an economic hardship caused by the COVID-19 pandemic. The Corporation's Board of Directors met on April 21, 2020, to set a cap of \$250,000 for the entire grant program and a maximum of \$10,000 per business. No response has been received from Governor Abbott related to the small business financial assistance grant program. Therefore, no assistance has been provided and no amounts recorded in the 2019-20 year financial statements.

Note 12: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, there may be a significant impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of March 29, 2021.

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

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

For the year ended September 30, 2020	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 2,295,415	\$ 2,315,415	\$ 2,340,685	\$ 25,270
Penalties and interest	25,000	25,000	26,251	1,251
Sales taxes	2,001,000	2,055,000	2,095,756	40,756
Franchise taxes	813,000	775,000	769,974	(5,026)
License and permits	197,275	261,575	327,840	66,265
Fines and forfeitures	268,000	178,000	163,871	(14,129)
Investment earnings	40,000	35,500	32,915	(2,585)
Intergovernmental	519,560	41,831	21,350	(20,481)
Contributions	-	2,614	3,767	1,153
Other	40,931	147,464	148,743	1,279
Total Revenue	6,200,181	5,837,399	5,931,152	93,753
Expenditures				
<i>Current:</i>				
General government	1,768,788	1,889,473	1,803,677	85,796
Public safety	2,501,145	2,541,435	2,277,818	263,617
Public works	1,106,861	940,361	918,495	21,866
Capital Outlay	-	615,410	664,235	(48,825)
Debt Service:				
Principal and interest	264,579	264,986	207,478	57,508
Total Expenditures	5,641,373	6,251,665	5,871,703	379,962
<i>Excess (deficiency) of revenues over (under) expenditures</i>	558,808	(414,266)	59,449	473,715
Other Financing Sources				
Capital leases	-	476,612	476,612	-
Total other financing sources	-	476,612	476,612	-
Net change in fund balance	558,808	62,346	536,061	473,715
Fund balance - beginning	997,419	1,192,607	2,144,805	952,198
Fund balance - ending	\$ 1,556,227	\$ 1,254,953	\$ 2,680,866	\$ 1,425,913

(Continued)

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

Budget and Budgetary Accounting

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

Expenditures may not legally exceed budgeted appropriations at the department level. 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 for the ensuing fiscal year, in a form and style as deemed desirable by Council. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

For the year ended September 30, 2020, expenditures exceeded appropriations in capital outlay by \$48,825.

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

For the year ended September 30, 2020	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 662,000	\$ 662,000	\$ 695,387	\$ 33,387
Investment earnings	40,000	40,000	49,380	9,380
Total Revenue	702,000	702,000	744,767	42,767
Expenditures				
<i>Current:</i>				
General government	46,300	51,300	40,702	10,598
Capital Outlay	3,745,581	3,745,581	224,798	3,520,783
Total Expenditures	3,791,881	3,796,881	265,500	3,531,381
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(3,089,881)</i>	<i>(3,094,881)</i>	<i>479,267</i>	<i>3,574,148</i>
Net change in fund balance	(3,089,881)	(3,094,881)	479,267	3,574,148
Fund balance - beginning	4,045,848	4,045,848	4,045,848	-
Fund balance - ending	\$ 955,967	\$ 950,967	\$ 4,525,115	\$ 3,574,148

(Continued)

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

Budget and Budgetary Accounting

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

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

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of the budgetary data to actual results of operations for the City of Santa Fe Section 4B Economic Development Corporation, for which an annual operating budget is legally adopted.

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

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

As of and for the years ended September 30,	Last Ten Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service cost	\$ 453,302	\$ 422,506	\$ 445,581	\$ 434,657	\$ 426,311	\$ 385,401	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest (on the total pension liability)	908,862	865,520	825,529	771,006	750,133	708,090	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	-	-	N/A	N/A	N/A	N/A
Difference between expected and actual experience	226,678	(86,465)	(143,393)	(44,684)	(264,874)	(248,483)	N/A	N/A	N/A	N/A
Change of assumptions	32,748	-	-	-	82,954	-	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(488,898)	(660,820)	(386,630)	(330,730)	(254,426)	(275,261)	N/A	N/A	N/A	N/A
Net change in total pension liability	1,132,692	540,741	741,087	830,249	740,098	569,747	N/A	N/A	N/A	N/A
Total pension liability - beginning	13,482,418	12,941,677	12,200,590	11,370,341	10,630,243	10,060,496	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	\$ 14,615,110	\$ 13,482,418	\$ 12,941,677	\$ 12,200,590	\$ 11,370,341	\$ 10,630,243	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position										
Contribution - employer	\$ 386,453	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution - employee	232,804	215,407	225,529	218,938	217,395	207,581	N/A	N/A	N/A	N/A
Net investment income	1,623,903	(326,871)	1,301,113	577,467	12,077	426,592	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(488,898)	(660,820)	(386,630)	(330,730)	(254,426)	(275,261)	N/A	N/A	N/A	N/A
Administrative expense	(9,174)	(6,316)	(6,743)	(6,522)	(7,357)	(4,453)	N/A	N/A	N/A	N/A
Other	(276)	(330)	(342)	(352)	(363)	(366)	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	1,744,813	(407,507)	1,521,658	843,820	358,948	730,408	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	10,502,365	10,909,872	9,388,214	8,544,394	8,185,446	7,455,038	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	\$ 12,247,178	\$ 10,502,365	\$ 10,909,872	\$ 9,388,214	\$ 8,544,394	\$ 8,185,446	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net Pension Liability - ending (a) - (b)	\$ 2,367,932	\$ 2,980,053	\$ 2,031,805	\$ 2,812,376	\$ 2,825,947	\$ 2,444,797	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position as a percentage of total pension liability	83.80%	77.90%	84.30%	76.95%	75.15%	77.00%	N/A	N/A	N/A	N/A
Covered employee payroll	\$ 3,325,768	\$ 3,077,245	\$ 3,221,843	\$ 3,124,784	\$ 3,104,958	\$ 2,965,437	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net position liability as a percentage of covered employee payroll	71.20%	96.84%	63.06%	90.00%	91.01%	82.44%	N/A	N/A	N/A	N/A

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

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

For the years ended September 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 386,453	\$ 371,423	\$ 388,731	\$ 385,019	\$ 391,622	\$ 376,315	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the actuarially determined contributions	<u>\$ 386,453</u>	<u>\$ 371,423</u>	<u>\$ 388,731</u>	<u>\$ 385,019</u>	<u>\$ 391,622</u>	<u>\$ 376,315</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Contribution deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered employee payroll	\$ 3,325,768	\$ 3,149,680	\$ 3,171,170	\$ 3,195,881	\$ 3,140,070	\$ 3,043,128	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contribution as a percentage of covered employee payroll	11.62%	11.79%	12.26%	12.05%	12.47%	12.37%	N/A	N/A	N/A	N/A

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

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

Notes to Schedule of Employer Contributions

Valuation Date

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	10 years smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50 to 11.50%, 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 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

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

City of Santa Fe, Texas

September 30, 2020

Funds	Identification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2020	Accrued Interest
General Fund					
TexPool	840500001	0.13%	N/A	\$ 576,797	\$ -
Logic	2017295001	0.22%	N/A	816,866	-
Texas First Bank MM	10084929	0.15%	N/A	407,638	-
BWM Bank of North America	05580AUZ5	1.60%	2/28/2022	240,000	-
Total General Fund				2,041,301	-
Debt Service Fund					
TexPool	840500002	0.22%	N/A	221,172	-
Total				\$ 2,262,473	\$ -

City of Santa Fe Section 4B Economic Development Corporation

September 30, 2020

Funds	Identification or Acct/CUSIP Number	Interest Rate (%)	Maturity Date	Balance at 9/30/2020	Accrued Interest
Santa Fe Economic Development Corporation					
TexPool	788900001	0.92%	N/A	\$ 1,356,161	\$ -
Logic	98412001	1.18%	N/A	2,388,824	-
CD	Multiple	2.80%-3.05%	Varies	442,520	-
Total				\$ 4,187,505	\$ -

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

	General Fund	Debt Service Fund	Total
Taxes receivable - October 1, 2019	\$ 175,612	\$ 18,924	\$ 194,536
Additions and corrections - prior years	80,150	11,045	91,195
Adjusted taxes receivable - October 1, 2019	255,762	29,969	285,731
Original tax roll 2019	2,507,469	331,602	2,839,071
Additions and corrections - current year	(224,121)	(29,639)	(253,760)
Adjusted tax roll	2,283,348	301,963	2,585,311
Total to be accounted for	2,539,110	331,932	2,871,042
Tax collections			
Current year	2,300,237	304,197	2,604,434
Prior year	36,167	5,238	41,405
Total collections	2,336,404	309,435	2,645,839
Taxes receivable - September 30, 2020	\$ 202,706	\$ 22,497	\$ 225,203
Taxes receivable - by tax year			
2019	\$ 71,050	\$ 9,898	\$ 80,948
2018	26,821	3,867	30,688
2017	18,496	2,741	21,237
2016	12,499	1,934	14,433
2015	10,458	1,662	12,120
2014 - prior	63,382	2,395	65,777
Taxes receivable - September 30, 2020	\$ 202,706	\$ 22,497	\$ 225,203

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

<i>September 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 300,703	\$ 47,454
Investments	2,041,301	1,830,597
Receivables, net		
Property tax	173,720	149,065
Sales tax, franchise tax and other	844,420	1,036,960
Due from Special Revenue Fund	422,844	161,343
Prepays	27,120	40,318
Restricted cash and equivalents	18,503	18,484
Total Assets	\$ 3,828,611	\$ 3,284,221
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable and accrued liabilities	\$ 378,284	\$ 347,117
Refundable deposits	116,800	118,200
Unearned revenue	355,427	401,153
Total Liabilities	850,511	866,470
Deferred Inflows of Resources		
Unavailable revenue	297,234	272,946
Fund Balance		
Nonspendable		
Prepays and other assets	27,120	-
Restricted	199,075	18,484
Unassigned	2,454,671	2,126,321
Total Fund Balances	2,680,866	2,144,805
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,828,611	\$ 3,284,221

City of Santa Fe, Texas
Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – General Fund
For the year ended September 30, 2020 with Comparative Actual Balances
for the year ended September 30, 2019

	2020			2019
	Budget	Actual	Variance	Actual
Revenue				
Property Tax	\$ 2,315,415	\$ 2,340,685	\$ 25,270	\$ 2,200,469
Penalties and interest	25,000	26,251	1,251	28,491
Sales taxes	2,055,000	2,095,756	40,756	1,953,798
Franchise taxes	775,000	769,974	(5,026)	797,268
License and permits	261,575	327,840	66,265	267,190
Fines and forfeitures	178,000	163,871	(14,129)	237,212
Investment earnings	35,500	32,915	(2,585)	43,557
Intergovernmental	41,831	21,350	(20,481)	42,309
Contributions	2,614	3,767	1,153	263,480
Other	147,464	148,743	1,279	49,552
Total revenue	5,837,399	5,931,152	93,753	5,883,326
Expenditures				
General Government				
General administration	780,744	740,060	40,684	733,694
Tax	23,201	22,084	1,117	18,461
Community center	29,709	25,209	4,500	13,928
Library	258,950	248,850	10,100	241,278
Judicial	284,168	270,683	13,485	268,476
Civil service	5,522	3,335	2,187	4,983
Parks	151,003	139,444	11,559	115,097
Community services	356,176	354,012	2,164	329,132
Total general government	1,889,473	1,803,677	85,796	1,725,049
Public safety				
Police	2,517,842	2,255,340	262,502	2,248,469
Fire marshall	23,593	22,478	1,115	19,125
Total public safety	2,541,435	2,277,818	263,617	2,267,594
Public works				
Public safety	112,203	121,813	(9,610)	143,877
Streets	828,158	796,682	31,476	784,386
Utilities	-	-	-	13,170
Total public works	940,361	918,495	21,866	941,433
Capital Outlay	615,410	664,235	(48,825)	735,106
Debt Service:				
Principal	264,986	197,290	67,696	235,516
Interest and fiscal charges	-	10,188	(10,188)	6,018
Total expenditures	6,251,665	5,871,703	379,962	5,910,716
Excess (deficiency) of revenues over (under) expenditures	(414,266)	59,449	473,715	(27,390)
Other financing sources				
Capital leases	476,612	476,612	-	287,781
Total other financing sources	476,612	476,612	-	287,781
Net change in fund balance	62,346	536,061	473,715	260,391
Fund Balance - beginning	1,192,607	2,144,805	952,198	1,884,414
Fund Balance - ending	\$ 1,254,953	\$ 2,680,866	\$ 1,425,913	\$ 2,144,805

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

For the year ended September 30, 2020

Type of Coverage	Amount of Coverage	Name	Type of Corp.	Policy Clause
<u>Fidelity Bonds</u>				
Public employees blanket bond	\$ 10,000	The Hartford	Gov't.	None
<u>Surety Bonds</u>				
Crime Policy	\$ 50,000	The Hartford	Gov't.	None
<u>Notary Bonds</u>				
	\$ 10,000 per bonded notary	Notary Public Underwrites Agency of Texas, Inc.	Gov't.	None
<u>Real and Personal Property</u>				
Property damage	\$ 6,830,533	Texas Municipal	Gov't	None
Mobile Equipment	\$ 1,378,058	League (IRP)		
Boiler & Machinery	\$ 100,000			
<u>Automobile Liability:</u>				
<u>Commercial</u>				
Bodily injury - each person	\$ 25,000	Texas Municipal	Gov't.	None
Property damage - each occurrence	\$ 1,000,000	League (IRP)		
<u>Cyber Liability:</u>				
Info Security and Privacy	\$ 1,000,000	Texas Municipal	Gov't.	None
Breach Response	\$ 50,000	League (IRP)		
<u>Worker's Compensation</u>				
	Statutory	Texas Municipal	Gov't.	None
		League (IRP)		
<u>General Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal	Gov't.	None
		League (IRP)		
<u>Public Official Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal	Gov't.	None
		League (IRP)		
<u>Windstorm and Hail</u>				
Per Occurrence	\$ 50,000	Texas Municipal	Gov't.	None
		League / Victor O. Schinneren		
<u>Law Enforcement Liability -</u>				
<u>Occurrence/Annual Aggregate</u>	\$ 2,000,000 / \$ 4,000,000	Texas Municipal	Gov't.	None
		League (IRP)		

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

Fiscal Year Ending	Total Requirements - All Long-Term Debt			General Obligation Bonds, Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 339,903	\$ 114,701	\$ 260,175	\$ 155,000	\$ 105,175	\$ 260,175
2022	273,198	109,389	260,450	160,000	100,450	260,450
2023	281,097	101,615	260,575	165,000	95,575	260,575
2024	245,786	92,760.00	259,700	170,000	89,700	259,700
2025	257,301	84,245.00	262,700	180,000	82,700	262,700
2026	185,000	75,400	260,400	185,000	75,400	260,400
2027	195,000	67,800	262,800	195,000	67,800	262,800
2028	200,000	59,900	259,900	200,000	59,900	259,900
2029	210,000	51,700	261,700	210,000	51,700	261,700
2030	220,000	42,000	262,000	220,000	42,000	262,000
2031	230,000	30,750	260,750	230,000	30,750	260,750
2032	245,000	18,875	263,875	245,000	18,875	263,875
2033	255,000	6,375	261,375	255,000	6,375	261,375
	<u>\$ 3,137,285</u>	<u>\$ 855,510</u>	<u>\$ 3,396,400</u>	<u>\$ 2,570,000</u>	<u>\$ 826,400</u>	<u>\$ 3,396,400</u>

Fiscal Year Ending	Capital Lease - Excavator			Capital Lease - computer equipment		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 76,379	\$ 2,468	\$ 78,847	\$ 23,792	\$ 2,442	\$ 26,234
2022	72,845	6,001	78,846	24,580	1,654	26,234
2023	74,301	4,545	78,846	25,394	841	26,235
2024	75,786	3,060	78,846	-	-	-
2025	77,301	1,545	78,846	-	-	-
	<u>\$ 376,612</u>	<u>\$ 17,619</u>	<u>\$ 394,231</u>	<u>\$ 73,766</u>	<u>\$ 4,937</u>	<u>\$ 78,703</u>

Fiscal Year Ending	Capital Lease -4 police cars/truck/radio			Capital Lease - Chastang Ford dump truck		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 69,565	\$ 2,727	\$ 72,292	\$ 15,167	\$ 1,889	17,056
2022	-	-	-	15,773	1,284	17,057
2023	-	-	-	16,402	654	17,056
	<u>\$ 69,565</u>	<u>\$ 2,727</u>	<u>\$ 72,292</u>	<u>\$ 47,342</u>	<u>\$ 3,827</u>	<u>\$ 51,169</u>

**REPORTS ON INTERNAL CONTROL
AND COMPLIANCE MATTERS**

City of Santa Fe, Texas
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title/Period	CFDA Number	Pass-through Grantor's I.D. Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Treasury				
Passed Through Texas Division of Emergency Management COVID-19 Coronavirus Relief Fund				
3/1/20 to 12/30/20	21.019	2020-CRF-S#90	\$ 640,469	\$ 177,175
Total U.S. Department of Treasury			640,469	177,175
U.S. Department of Housing and Urban Development				
Passed Through Texas Department of Agriculture Community Development Block Grant/ State's Program and Non-entitlement Grants in Hawaii				
1/1/20 to 12/31/21	14.228	B-19-DC-48-0001	41,786	-
Passed Through the Texas General Land Office Community Development Block Grant/ State's Program and Non-entitlement Grants in Hawaii				
11/11/19 to 11/30/21	14.228	B-17-DM-48-0001	52,682	-
Total U.S. Department of Housing and Urban Development			94,468	-
U.S. Department of Justice				
Passed Through Texas Office of the Governor Criminal Justice Division Crime Victim Assistance				
5/1/18 to 12/31/19	16.575	VA17-PY19, Victim Assistance	148,246	-
Crime Victim Assistance				
1/1/20 to 9/30/21	16.575	VA18-PY20, Victim Assistance	340,173	-
Total U.S. Department of Justice			488,419	-
National Endowment for the Humanities				
Passed Through Texas State Library and Archives Commission Grants to States				
9/1/19 to 7/31/20	45.310	LS-0019-0044-18	680	-
Total National Endowment for the Humanities			680	-
U.S. Department of Transportation				
Passed through the Texas Department of Transportation National Highway Traffic Safety Administration Discretionary Safety Grants and Cooperative Agreements				
10/1/19 to 9/30/20	20.614	2020-SantaFe-S-1YG-00005	258	-
Total U.S. Department of Transportation			258	-
Total expenditures of federal awards			\$ 1,224,294	\$ 177,175

City of Santa Fe, Texas
Notes to the Schedule of Expenditures of Federal Awards

Note 1: BASIS OF PRESENTATION OF SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) presents the Federal program fund expenditures of all Federal programs of City of Santa Fe, Texas (the City) for the year ended September 30, 2020. The information in the schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles as found in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The City has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. In addition, The City did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended September 30, 2020.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Santa Fe, Texas (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Santa Fe, Texas' basic financial statements, and have issued our report thereon dated March 29, 2021. Our report includes a reference to other auditors who audited the financial statements of City of Santa Fe Section 4B Economic Development Corporation, a major Special Revenue Fund, as described in our report on the City of Santa Fe, Texas' financial statements. The financial statements of City of Santa Fe Section 4B Economic Development Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting and on compliance and other matters associated with City of Santa Fe Section 4B Economic Development Corporation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Houston, Texas
March 29, 2021



Carr, Riggs & Ingram, LLC
Two Riverway
15th Floor
Houston, TX 77056

713.621.8090
713.621.6907 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for each Major Federal Program

We have audited City of Santa Fe, Texas' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. City of Santa Fe, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Houston, Texas
March 29, 2021

City of Santa Fe, Texas
Schedule of Findings and Questioned Costs
For the year ended September 30, 2020

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

CFDA Number

Name of Federal Program

21.019

U.S. Department of Treasury
 COVID- 19 Coronavirus Relief Fund

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low risk federal auditee? | No |

City of Santa Fe, Texas
Schedule of Findings and Questioned Costs (Continued)
For the year ended September 30, 2020

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters reported for the year ended September 30, 2020

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported for the year ended September 30, 2020

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS

No Uniform Guidance audit was conducted for the year ended September 30, 2019.