

**TOWN OF SAN FELIPE, TEXAS**

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**Annual Financial Report**

**For the Year Ended September 30, 2020**

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## **Introductory Section**

**TOWN OF SAN FELIPE, TEXAS**


**Town Officials**


Bobby Byars..... Mayor  
Derrick Dabny.....Mayor Pro-Tem  
Alfred Hall .....Alderman  
Michael Elliot.....Alderman  
Larry Gentry .....Alderman  
Brenda Penrice Newsome.....Alderman  
Sue Foley ..... Town Secretary


## **Financial Section**



2702 N. Loop 1604 E., Ste. 202  
San Antonio, TX 78232

 210-979-0055

 210-979-0058

 [www.HaynieCPAs.com](http://www.HaynieCPAs.com)

## Independent Auditor's Report

To the Honorable Mayor and Members of the Town Council  
Town of San Felipe, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Town of San Felipe, Texas (the Town) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town'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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 opinion.

## **Independent Auditor's Report (continued)**

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of San Felipe, 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.

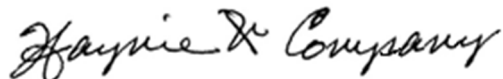
### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on pages 41 through 42, the Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years on page 43, and the Schedule of Changes in Postemployment Benefits Other Than Pensions (OPEB) Liability and Related Ratios – Last 10 Years on page 44 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town's internal control over financial reporting and compliance.



Haynie & Company  
San Antonio, Texas  
May 11, 2021



# TOWN OF SAN FELIPE, TEXAS

## Management's Discussion and Analysis

### September 30, 2020

This section of the Town of San Felipe, Texas' (the Town) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the Town's financial statements, which follow this section.

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#### FINANCIAL HIGHLIGHTS

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- The Town's total net position was \$1,566,161 at September 30, 2020.
- Revenue generated from taxes and other revenues for governmental activities was \$787,115 . The Town's governmental fund expenses were \$676,226 .

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#### OVERVIEW OF THE FINANCIAL STATEMENTS

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This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplemental information section* (non-required). The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements (the Statement of Net Position and Statement of Activities) are the *government-wide* financial statements that provide both *long-term* and *short-term* information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Town's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

# TOWN OF SAN FELIPE, TEXAS

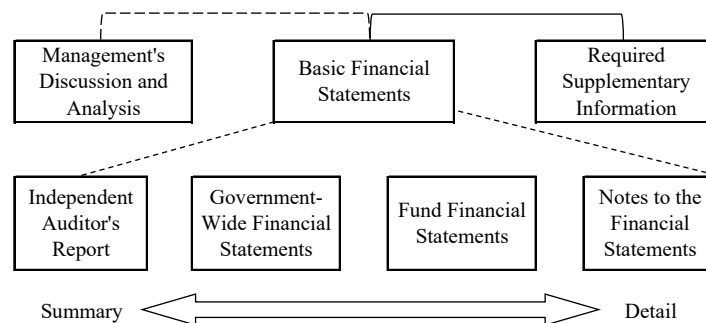
## Management's Discussion and Analysis

### September 30, 2020

#### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplemental information that further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1: Components of the Financial Section



#### Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position—the difference between the Town's assets and liabilities—is one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, one needs to consider additional nonfinancial factors such as changes in the Town's tax base.

The government-wide financial statements of the Town include the governmental activities. Most of the Town's basic services are included here, such as general government, public safety, and public works. Sales tax, property tax, franchise fees, and municipal court fines finances the majority of these activities.

**TOWN OF SAN FELIPE, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has the following type of fund(s):

- *Governmental funds*— All of the Town's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note A to the financial statements.

**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.

**TOWN OF SAN FELIPE, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

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The net position may serve, over time, as a useful indicator of the Town's financial position. For the Town, assets exceed liabilities by \$1,566,161 as of year-end. The Town's net position reflects its investments in capital assets (e.g., land, buildings and improvements, furniture and equipment, streets, etc.) less any debt used to acquire those assets that is still outstanding. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Position**

The following reflects a comparative condensed statement of net position:

	September 30,		\$ Change	% Change
	2020	2019		
Current and Other Assets	\$ 2,073,025	\$ 2,145,157	\$ (72,132)	-3.4%
Capital Assets, Net	283,383	181,280	102,103	56.3%
Total Assets	<u>2,356,408</u>	<u>2,326,437</u>	<u>29,971</u>	<u>1.3%</u>
Deferred Outflows				
Deferred OPEB Related Outflows	3,551	22,516	(18,965)	-84.2%
Total Deferred Outflows	<u>3,551</u>	<u>22,516</u>	<u>(18,965)</u>	<u>-84.2%</u>
Current Liabilities	129,377	182,852	(53,475)	-29.2%
Noncurrent Liabilities	643,068	710,358	(67,290)	-9.5%
Total Liabilities	<u>772,445</u>	<u>893,210</u>	<u>(120,765)</u>	<u>-13.5%</u>
Deferred Inflows				
Deferred Pension Related Inflows	21,353	109	21,244	19489.9%
Deferred OPEB Related Inflows	-	362	(362)	100.0%
Total Deferred Inflows	<u>21,353</u>	<u>471</u>	<u>20,882</u>	<u>4433.5%</u>
Net Position:				
Net Investment in Capital Assets	132,874	75,449	57,425	76.1%
Restricted	530,325	639,906	(109,581)	-17.1%
Unrestricted	902,962	739,917	163,045	22.0%
Total Net Position	<u>\$ 1,566,161</u>	<u>\$ 1,455,272</u>	<u>\$ 110,889</u>	<u>7.6%</u>

**TOWN OF SAN FELIPE, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)**

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A portion of the primary government's net position, \$132,874 , represents resources invested in capital assets, net of related debt. A portion of the primary government's net position, \$530,325 , represents resources that are restricted and may only be used for certain purposes allowed by external sources or enabling legislation. The remainder of the primary government's net position, \$902,962 , represents resources that are unrestricted. These resources are used to pay off long-term debt and general expenditures.

**Changes in Net Position**

The following reflects a comparative statement of changes in net position of the primary government:

	September 30,			
	2020	2019	\$ Change	% Change
Revenues				
Program Revenues:				
Charges for Services	\$ 32,305	\$ 35,291	\$ (2,986)	-8.5%
Operating grants and contributions	92,260	50,000	42,260	100.0%
General Revenues:				
Property Taxes	161,775	159,615	2,160	1.4%
Sales Taxes	445,552	400,425	45,127	11.3%
Interest and Investment Income	24,366	20,695	3,671	17.7%
Other Revenue	30,857	25,548	5,309	20.8%
Total Revenues	787,115	691,574	95,541	13.8%
Expenses				
Administrative and Personnel	469,311	526,997	(57,686)	-10.9%
Public Safety	44,950	65,533	(20,583)	-31.4%
Public Works	112,399	128,719	(16,320)	-12.7%
Community Center	49,566	107,374	(57,808)	-53.8%
Total Expenses	676,226	828,623	(152,397)	-18.4%
Change in Net Position	110,889	(137,049)	247,938	-180.9%
Net Position - Beginning	1,455,272	1,592,321	(137,049)	-8.6%
Net Position - Ending	\$ 1,566,161	\$ 1,455,272	\$ 110,889	7.6%

**TOWN OF SAN FELIPE, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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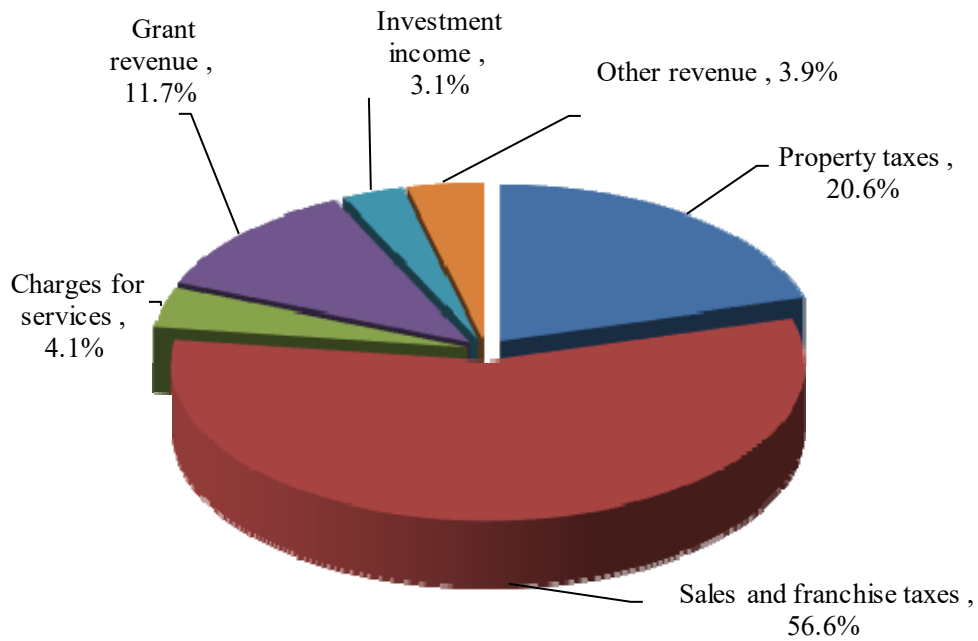
**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)**

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Overall, government-wide revenues increased by \$95,541 , mainly due to an increase in sales tax revenues and other revenues.

Government-wide expenses decreased by \$152,397 , due to a decrease in various projects as a result of COVID-19 restrictions.

**Governmental Revenues**



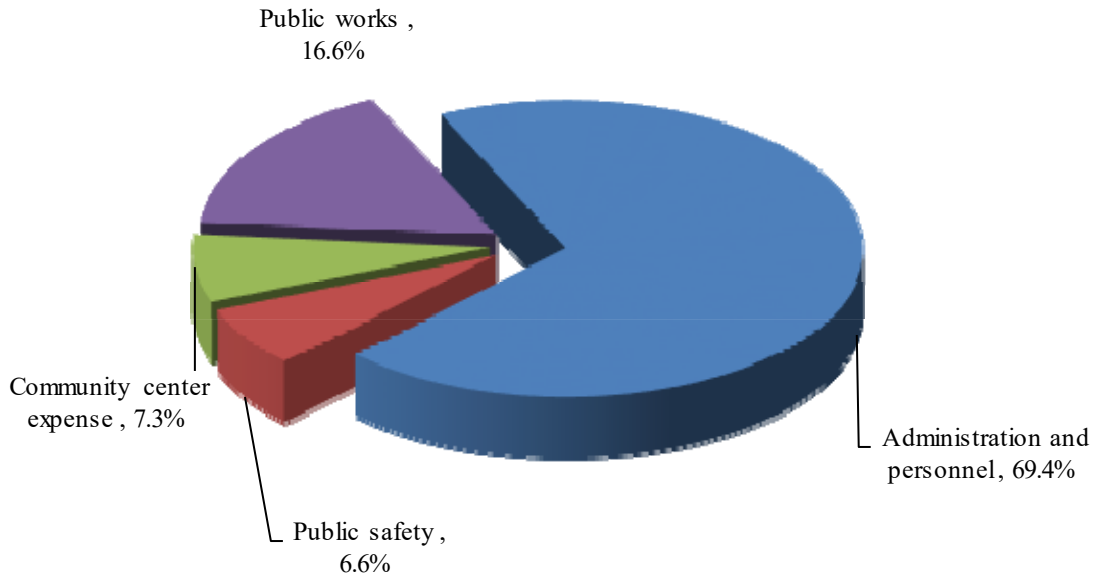
**TOWN OF SAN FELIPE, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)**

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**Governmental Expenses**



**Governmental Activities**

The Town's general fund reflects a total fund balance of \$1,978,312 . Of this amount, \$484,491 is restricted bond funds, \$6,224 is restricted for court technology, \$4,580 is restricted for court security and \$35,030 is restricted for a surveying project. The remaining amount, \$1,447,969 , is unassigned, which means it can be used for any purpose. The general fund had a decrease in total fund balance in the amount of \$33,071 .

**General Fund Budgetary Highlights**

The actual general fund revenues were below the budgeted revenues by \$2,488,959 during the year. General fund expenditures were below budgeted expenses by \$2,455,888 . This was mainly due to the Town budgeting to spend all proceeds from the Certificate of Obligation, Series 2017; however, projects were not completed as anticipated. No budget amendments were made at year end.

**TOWN OF SAN FELIPE, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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**Capital Assets**

At the end of the fiscal year, the Town had invested in capital assets, including land, construction in progress, equipment, buildings, and vehicles. The following schedule summarizes the capital assets of the Town:

	September 30,		\$ Change	% Change
	2020	2019		
Land	\$ 21,405	\$ 21,405	\$ -	0%
Construction in Progress	133,284	4,187	129,097	3083%
Buildings and Improvements	673,526	673,526	-	0%
Furniture and Equipment	388,956	375,129	13,827	4%
Infrastructure	492,357	492,357	-	0%
Total Capital Assets	<u>1,709,528</u>	<u>1,566,604</u>	<u>142,924</u>	<u>9%</u>
Less:				
Accumulated Depreciation	(1,426,145)	(1,385,324)	(40,821)	3%
Net Capital Assets	<u>\$ 283,383</u>	<u>\$ 181,280</u>	<u>\$ 102,103</u>	<u>56%</u>

**Long-Term Debt**

At September 30, 2020, the Town had total long-term debt of \$635,000 for long-term bonds.

More detailed information about the Town's long-term liabilities is presented in Note 5.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The property tax rate for the 2020 fiscal year was \$0.13975 per \$100 valuation, which is a decrease from fiscal year 2019. The Town's fiscal year 2021 budget remains relatively consistent.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances. Questions concerning this report or requests for additional financial information should be directed to Sue Foley, Town Secretary, Town Hall, P.O. Box 129, San Felipe, Texas 77473, telephone 979-885-7035.



## **Financial Statements**

# TOWN OF SAN FELIPE, TEXAS

## Statement of Net Position

As of September 30, 2020

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	46,763
Certificates of Deposit	\$ 1,404,453
Investments	82,162
Receivables, Net	9,304
Prepaid	18
Total Current Assets	<u>1,542,700</u>
Noncurrent Assets	
Restricted Cash and Cash Equivalents	530,325
Land	21,405
Construction in Progress	133,284
Buildings and Improvements, Net	42,843
Furniture and Equipment, Net	26,069
Infrastructure, Net	59,782
Total Noncurrent Assets	<u>813,708</u>
<b>Total Assets</b>	<u>2,356,408</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred Other Postemployment Benefit Related Outflows	3,551
Total Deferred Outflows	<u>3,551</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable and Accrued Liabilities	82,282
Accrued Interest Payable	2,095
Bonds Payable	45,000
Total Current Liabilities	<u>129,377</u>
Noncurrent Liabilities	
Bonds Payable	590,000
Net Pension Liability	36,160
Other Postemployment Benefit Liability	16,908
Total Long-Term Liabilities	<u>643,068</u>
<b>Total Liabilities</b>	<u>772,445</u>
<b>DEFERRED INFLOWS</b>	
Deferred Pension Related Inflows	21,353
Total Deferred Inflows	<u>21,353</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	132,874
Restricted	530,325
Unrestricted	902,962
<b>Total Net Position</b>	<u>\$ 1,566,161</u>

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

**TOWN OF SAN FELIPE, TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Primary government				
Governmental Activities:				
Administrative and Personnel	\$ 469,311	\$ -	\$ -	\$ (469,311)
Public Safety	44,950	24,745	92,260	72,055
Public Works	112,399	7,560	-	(104,839)
Community Center Expense	49,566	-	-	(49,566)
Total Governmental Activities	<u>676,226</u>	<u>32,305</u>	<u>92,260</u>	<u>(551,661)</u>
Total Government	<u>\$ 676,226</u>	<u>\$ 32,305</u>	<u>\$ 92,260</u>	
General Revenues				
Property Taxes				161,775
Sales and Franchise Taxes				445,552
Interest Revenue				24,366
Other Revenue				30,857
Total General Revenues				<u>662,550</u>
Change in Net Position				110,889
Net Position - Beginning				<u>1,455,272</u>
Net Position - Ending				<u>\$ 1,566,161</u>

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

**TOWN OF SAN FELIPE , TEXAS**  
**Balance Sheet**  
**Governmental Fund**  
**As of September 30, 2020**

		General Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	577,088
Certificates of Deposit		1,404,453
Investments		82,162
Receivables, Net		9,304
Prepays		18
<b>Total Assets</b>		<u><u>2,073,025</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities		<u>86,567</u>
<b>Total Liabilities</b>		<u>86,567</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue		<u>8,146</u>
<b>FUND BALANCES</b>		
Nonspendable		18
Restricted		530,325
Unassigned		<u>1,447,969</u>
<b>Total Fund Balances</b>		<u>1,978,312</u>
Amounts reported for governmental activities in the Statement of Net Position are difference because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,426,145.		283,383
Net pension assets (and related deferred inflows and outflows of resources) do not provide current financial resources and are not reported in the funds.		
Pension Related Deferred Inflows		(21,353)
Net Pension Liability		(36,160)
Other Postemployment Benefit Liability		(16,908)
Other Postemployment Benefit Related Outflows		3,551
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		8,146
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued Interest Payable		(2,095)
Accrued Compensated Absences		4,285
Noncurrent Liabilities Due in One Year		(45,000)
Noncurrent Liabilities Due in More Than One Year		<u>(590,000)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<u><u>1,566,161</u></u>

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

**TOWN OF SAN FELIPE, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
**For the Year Ended September 30, 2020**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 162,137
Sales, Franchise and Other Taxes	445,552
Permits and Licenses	7,560
Grant Revenues	92,260
Fines and Forfeitures	24,745
Interest on Investments	24,366
Other Revenue	<u>30,857</u>
<b>Total Revenues</b>	<u><u>787,477</u></u>
 <b>EXPENDITURES</b>	
Current	
Administrative and Personnel	441,629
Public Safety	55,862
Public Works	130,567
Community Center	103,987
Capital Outlay	<u>88,503</u>
<b>Total Expenditures</b>	<u><u>820,548</u></u>
 Net Changes in Fund Balances	 (33,071)
 Fund Balances - Beginning of Year	 <u>2,011,383</u>
 Fund Balances - End of Year	 \$ <u><u>1,978,312</u></u>

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

**TOWN OF SAN FELIPE, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund (Continued)**  
**For the Year Ended September 30, 2020**

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - governmental activities: \$ (33,071)

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

Capital outlay	142,924
Depreciation expense	(40,821)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Tax Revenue	(362)
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The change in net position liability and deferred inflows and outflows related to the Town's TMRS pension liability and other postemployment benefits: (17,555)

Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued Compensated Absences	243
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The issuance of long-term debt (e.g., bonds, certificates of obligation) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal payments	59,197
Accrued interest	334
	99,531

**Change in net position of governmental activities** **\$ 110,889**

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

# **TOWN OF SAN FELIPE**

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

### **September 30, 2020**

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#### **1. Nature of the Entity and Summary of Significant Accounting Policies**

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The Town of San Felipe, Texas (the Town) has governance responsibilities as permitted by the general laws of the State of Texas over all municipal activities within the legal boundaries of the Town. The Town's council consists of six members, the Mayor, Mayor Pro-Tem and four aldermen. The Town provides what are considered general government services: public safety to include police and fire services, municipal court, public works to include streets and drainage, and general administration.

#### **Financial Reporting Entity**

As required by GAAP, the financial statements of the reporting entity must include those of the Town and its component units. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GASB pronouncements, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the Town has no component units. Additionally, the Town is not a component unit of any other reporting entity as defined by GASB pronouncements.

#### **Basis of Presentation**

##### *Government-Wide Financial Statements*

The Statement of Net Position and the Statement of Activities are the government-wide financial statements. They report information on all of the Town's non-fiduciary activities with most of the interfund activities removed, if applicable. Governmental activities include programs supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**TOWN OF SAN FELIPE**  
**Notes to the Basic Financial Statements (Continued)**  
**September 30, 2020**

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**1. Nature of the Entity and Summary of Significant Accounting Policies (Continued)**

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**Basis of Presentation (Continued)**

*Government-Wide Financial Statements (Continued)*

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include fees, fines, and charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expense are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing resources and expenditures and other financing uses).

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The Town considers them "available" if they will be collected within 60 days after year end.

*Fund Accounting*

The Town reports the following major governmental funds:

General Fund - This is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.



**TOWN OF SAN FELIPE**  
**Notes to the Basic Financial Statements (Continued)**  
**September 30, 2020**

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**1. Nature of the Entity and Summary of Significant Accounting Policies (Continued)**

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**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with initial maturities of three months or less.

**Investments**

In accordance with GASB pronouncements, investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**Receivables**

Accounts and property taxes receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on experience and historical trends.

Property taxes are levied during October of each year and are due upon receipt of the Town's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1, of the following year.

**Capital Assets**

Capital assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**TOWN OF SAN FELIPE**  
**Notes to the Basic Financial Statements**  
**September 30, 2020**

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**1. Nature of the Entity and Summary of Significant Accounting Policies (Continued)**

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**Capital Assets (Continued)**

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Furniture and Equipment	8 to 10 years
Buildings and Improvements	25 to 50 years
Infrastructure	20 to 40 years

The Town does not capitalize interest costs related to construction.

**Use of Estimates**

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government type funds recognized bond premiums and discounts 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. Bond issuance costs are expensed as incurred.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**1. Nature of the Entity and Summary of Significant Accounting Policies (Continued)**

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**Equity Classifications**

*Government-Wide Financial Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

When the Town incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Town’s policy to use restricted resources first, then unrestricted resources.

*Fund Financial Statement*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, requires that fund balances for the Town’s governmental fund are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**1. Nature of the Entity and Summary of Significant Accounting Policies (Continued)**

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**Equity Classifications (Continued)**

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Town’s highest level of decision-making authority is the Town Council. All fund balance commitments are authorized by ordinances, typically during the budgeting process. The Town did not have any committed fund balances at September 30, 2020.
  
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The Town Council retains the authority to assign and unassign fund balances. The Town did not have any assigned fund balances at September 30, 2020.
  
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the Town’s General Fund. If a fund deficit exists in other funds, then that amount is reported as a negative unassigned fund balance.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Budget**

The original budget is adopted by the Town’s Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them. The Town’s Council may amend the budget throughout the year. Appropriations lapse at the end of the fiscal year. For fiscal year ending September 30, 2020, the Town had a budgetary deficit of \$33,071 (refer to page 41).

**Compensated Absences**

It is the Town’s policy to permit employees to accumulate earned but unused vacation time per calendar year based on years of service as follows:

2 years	5 days
3 years	10 days
9 or more years	15 days

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**1. Nature of the Entity and Summary of Significant Accounting Policies (Continued)**

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**Compensated Absences (Continued)**

At the beginning of each calendar year, any used vacation time is forfeited and employees' accrued vacation time resets to the maximum amount allowed based on years of service. A liability for these amounts is reported in the fund financial statements since they are considered to be current liabilities. Compensated absences were \$4,285 at September 30, 2020.

**Pensions**

The net pension liability and deferred outflows of resources related to pensions, and pension related expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from the TMRS's fiduciary net position have been determined on the same basis as they are reported by the TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**2. Deposits and Investments**

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**Deposits**

At September 30, 2020, the bank balances and carrying value for the Town's cash deposits and certificates of deposit are shown as follows:

	Bank	Carrying Value
Cash and Cash Equivalents	\$ 611,175	\$ 576,998
Certificates of Deposit	1,404,453	1,404,453
	\$ 2,015,628	\$ 1,981,451
Insured by FDIC or collateralized with securities held by the Town	\$ 680,628	
Collateralized with securities held by the pledging financial institutions or its agent in the Town's name	1,335,000	
Total Bank Balance	\$ 2,015,628	

The Town also had petty cash and change funds at the Town totaling \$90 at year end.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**2. Deposits and Investments (Continued)**

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**Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

At September 30, 2020, the Town had funds invested in the Texas Local Government Investment Pool (TexPool). 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 and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the Office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with Securities and Exchange Commission Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The fair market value of investments at September 30, 2020 was \$82,162.

The fair value of the TexPool investments is recorded as cash and cash equivalents on the financial statements.

**TOWN OF SAN FELIPE**  
**Notes to the Basic Financial Statements (Continued)**  
**September 30, 2020**

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**2. Deposits and Investments (Continued)**

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**Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Town's investment policy limits exposure to credit risk by limiting investments to those authorized by the Public Funds Investment Act. At September 30, 2020, the Town was not significantly exposed to credit risk.

*Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, or are held by either the counterparty or the counterparty's trust department or agent but not in the Town's name.

The Town's investment policy limits exposure to custodial credit risk by requiring all uninsured deposits and investments be covered by pledged collateral. At September 30, 2020, the Town was not exposed to custodial credit risk.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's investment policy limits overconcentration of its assets in specific instruments except U.S. Treasury Securities and insured or collateralized certificates of deposit. At year-end, the Town was not exposed to concentration of credit risk.

*Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy limits exposure to interest rate risk by limiting average maturities of investments to one year or less. At September 30, 2020, the Town was not exposed to interest rate risk.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**2. Deposits and Investments (Continued)**

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**Analysis of Specific Deposit and Investment Risks**

*Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. The Town does not have a policy related to foreign currency risk. At year-end, the Town was not exposed to foreign currency risk.

**Investment Accounting Policy**

The Town's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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**3. Accounts Receivable**

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The following comprise receivable balances at September 30, 2020:

<b>Governmental Activities:</b>	
Property Taxes Receivable	\$ 10,338
Allowance for Uncollectible Accounts	<u>(1,034)</u>
Total Receivables, Net	<u><u>\$ 9,304</u></u>



**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**4. Capital Assets**

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

<b><u>Governmental Activities</u></b>	Balance 10/1/2019	Additions	Deletions	Balance 9/30/2020
Capital Assets Not Being Depreciated				
Land	\$ 21,405	\$ -	\$ -	\$ 21,405
Construction in Progress	4,187	129,097	-	133,284
Total Capital Assets Not Being Depreciated	<u>25,592</u>	<u>129,097</u>	<u>-</u>	<u>154,689</u>
Capital Assets Being Depreciated				
Buildings and Improvements	673,526	-	-	673,526
Furniture and Equipment	375,129	13,827	-	388,956
Infrastructure	492,357	-	-	492,357
Total Capital Assets Being Depreciated	<u>1,541,012</u>	<u>13,827</u>	<u>-</u>	<u>1,554,839</u>
Accumulated Depreciation				
Buildings and Improvements	(622,914)	(7,769)	-	(630,683)
Furniture and Equipment	(354,847)	(8,040)	-	(362,887)
Infrastructure	(407,563)	(25,012)	-	(432,575)
Total Accumulated Depreciation	<u>(1,385,324)</u>	<u>(40,821)</u>	<u>-</u>	<u>(1,426,145)</u>
Net Capital Assets Being Depreciated	<u>155,688</u>	<u>(26,994)</u>	<u>-</u>	<u>128,694</u>
Net Capital Assets	<u>\$ 181,280</u>	<u>\$ 102,103</u>	<u>\$ -</u>	<u>\$ 283,383</u>

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

<b>Governmental Activities:</b>	
Administrative and Personnel	\$ 10,370
Public Safety	3,285
Public Works	27,166
Total Governmental Activities Depreciation Expense	<u>\$ 40,821</u>

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**5. Long-Term Obligations**

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**Long-Term Debt Activity**

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

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<b>Governmental Activities:</b>					
Certificates of Obligation, Series 2017	\$ 680,000	\$ -	\$ (45,000)	\$ 635,000	\$ 45,000
Notes Payable	14,197	-	(14,197)	-	-
Total governmental activities	<u>\$ 694,197</u>	<u>\$ -</u>	<u>\$ (59,197)</u>	<u>\$ 635,000</u>	<u>\$ 45,000</u>

**Description of Debt**

*Note Payable – Citizens State Bank*

On September 12, 2014, the Town entered into a loan agreement with Citizens State Bank to borrow the sum of \$43,664 for the purchase of a new police vehicle. Terms include 35 payments due monthly in the amount of \$600, which includes interest at 3.99% and one balloon payment of the entire unpaid balance of principal and interest due September 12, 2017. Rather than make the balloon payment, the note was renewed for an additional 36 months, which includes interest of 4.10%. The note was paid in full during fiscal year 2020.

*Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017*

On March 9, 2017, the Town issued \$725,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 for the costs associated with the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public property, including (1) a community center; (2) parks and recreation facilities and improvements; (3) constructing, repairing and improving town streets, sidewalks and drainage; (4) an equipment shed and storage facility; (5) payment of contractual obligations for professional services in connection therewith. Principal is due annually on February 15. Interest is due semiannually on February 15 and August 15 at a rate of 2.84%. The final maturity date of the bonds is February 15, 2032.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**5. Long-Term Obligations (Continued)**

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**Debt Service Requirements**

Debt service requirements at September 30, 2020 were as follows:

Year Ended September 30,	Principal	Interest	Total
2020	\$ 45,000	\$ 17,395	\$ 62,395
2021	45,000	16,117	61,117
2022	50,000	14,768	64,768
2023	50,000	13,348	63,348
2024	50,000	11,928	61,928
2024-2032	395,000	40,541	435,541
Total	\$ <u>635,000</u>	\$ <u>114,097</u>	\$ <u>749,097</u>

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**6. Operating Leases**

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The Town leases office equipment under a non-cancellable operating lease. Total expenditures for the operating lease for the year ended September 30, 2020 were \$2,556.

The future minimum lease payments for non-cancelable operating leases are as follows:

Year Ended September 30,	Principal
2021	\$ 3,002
2022	3,002
2023	3,002
Total	\$ <u>9,006</u>

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**7. Pension Plan**

**Plan Description**

The Town of San Felipe participates as one of the 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the Town are required to participate in TMRS.

**Benefits Provided**

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

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

**Employees covered by benefit terms**

At December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	2019
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active Employees	4
	12

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**7. Pension Plan (Continued)**

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**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town 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 Town of San Felipe were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town of San Felipe were 4.03% and 4.65% in calendar years 2019 and 2020, respectively. The Town's contributions to TMRS for the year ended September 30, 2020, were \$9,031 , and were equal to the required contributions.

**Net Pension Liability**

The Town's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% net pension plan investment expense, including inflation

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**7. Pension Plan (Continued)**

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**Net Pension Liability (Continued)**

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in fiscal year 2020 are summarized in the following table:

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**7. Pension Plan (Continued)**

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**Net Pension Liability (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employees and employer contributions will be made at the rates specified in statute. Based on the 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.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**7. Pension Plan (Continued)**

**Net Pension Liability (Continued)**

*Changes in the Net Pension Liability*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at 12/31/2018	\$ 348,763	\$ 285,054	\$ 63,709
Changes for the year:			-
Service Cost	11,606		11,606
Interest	22,742		22,742
Change of benefit terms	-		-
Difference between expected and actual experience	(3,180)		(3,180)
Changes in assumptions	1,312		1,312
Contributions - employer		7,606	(7,606)
Contributions - employee		8,546	(8,546)
Net investment income		44,134	(44,134)
Benefit payments, including refunds of employee contributions	(35,303)	(35,303)	-
Administrative expense	-	(249)	249
Other Changes		(8)	8
Net changes	(2,823)	24,726	(27,549)
<b>Balance at 12/31/2019</b>	<b>\$ 345,940</b>	<b>\$ 309,780</b>	<b>\$ 36,160</b>

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



**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**7. Pension Plan (Continued)**

**Net Pension Liability (Continued)**

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability	\$ 77,637	\$ 36,160	\$ 1,514

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2020, the Town recognized pension expense of \$8,172.

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ -	\$ (2,449)
Difference in Actuarial Assumptions	1,010	-
Differences Between Projected and Actual Investment Earnings		(19,914)
Contributions Subsequent to the Measurement Date	7,405	-
	<u>\$ 8,415</u>	<u>\$ (22,363)</u>

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**7. Pension Plan (Continued)**

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

\$7,405 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2020	\$ (3,446)
2021	(3,367)
2022	206
2023	(5,132)
Total	\$ <u>(11,739)</u>

**8. Other Postemployment Benefits**

**Plan Description**

The Town participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member town contributes to the SDBF at a contractually required rate (based on the covered payroll of the employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during the employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 GASB No. 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contribution for retirees.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**8. Other Postemployment Benefits**

**Benefits**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2018 is summarized below:

	2019
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active Employees	4
	8

**Total OPEB Liability**

The Town’s total OPEB liability of \$307 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the December 31, 2019 actuarial valuation was determined by using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	2.75%
Retirees’ share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disable for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rates as of December 31, 2019.

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

**11. Other Postemployment Benefits**

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Changes in the Total OPEB Liability**

		<b>Total OPEB Liability</b>
Changes for the year:		
Service Cost	\$	376
Interest		438
Difference between expected and actual experience		1,524
Changes in assumptions		2,972
Benefit Payments*		(51)
Net changes		5,259
Beginning Balance		11,649
Ending Balance	\$	16,908

\* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB No. 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following present the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Net OPEB Liability	\$ 20,752	\$ 16,908	\$ 13,931

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**8. Other Postemployment Benefits**

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**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 1,021	\$	-
Difference in Actuarial Assumptions	2,530		-
Contributions Subsequent to the Measurement Date	307		-
	\$ 3,858	\$	-

\$307 reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of total OPEB for the fiscal year ending September 30, 2020.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,		Amount
2020	\$	583
2021		583
2022		583
2023		583
2024		511
Thereafter		708
Total	\$	3,551

**TOWN OF SAN FELIPE**  
**Notes to Financial Statements (Continued)**  
**September 30, 2020**

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**9. Deferred Outflows/Inflows of Resources**

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In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. These items are related to differences between projected and actual investment earnings on pensions and contributions made to the pension plan and otherpostemployment benefits other than pension plans to the measurement date of the actual valuation. In addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item reported as deferred inflows of resources in the governmental fund on the Statement of Net Position, which arises under the full accrual basis of accounting. These items are related to differences between expected and actual economic experience based on the actuarial valuation. At the governmental fund level only one type of item arises only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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**11. Evaluation of Subsequent Events**

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Subsequent events have been evaluated through May 11, 2021, which is the date these financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economics and financial markets of many countries, including the geographical area in which the Town operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Town, to date, the Town is currently evaluating the effect they expect to experience. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

## **Required Supplemental Information**

**TOWN OF SAN FELIPE**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended September 30, 2020**

	<u>Budget Amounts</u>		<u>2020 Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budget Basis)</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Property Taxes	\$ 170,000	\$ 170,000	\$ 162,137	\$ (7,863)
Sales, Franchise and Other Taxes	390,000	390,000	445,552	55,552
Permits and Licenses	2,000	2,000	7,560	5,560
Fines and Forfeiture	20,000	20,000	24,745	4,745
Interest on Investments	24,225	24,225	24,366	141
Other Revenue	670,211	2,670,211	30,857	(2,639,354)
<b>Total Revenues</b>	<u>1,276,436</u>	<u>3,276,436</u>	<u>787,477</u>	<u>(2,488,959)</u>
<b>EXPENDITURES</b>				
Administrative and Personnel	429,165	432,865	441,629	(8,764)
Public Safety	57,900	54,700	55,862	(1,162)
Public Works	136,000	135,500	130,567	4,933
Community Center	611,311	611,311	103,987	507,324
Capital Outlay	42,060	2,042,060	88,503	1,953,557
<b>Total Expenditures</b>	<u>1,276,436</u>	<u>3,276,436</u>	<u>820,548</u>	<u>2,455,888</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(33,071)</u>	<u>(33,071)</u>
Fund Balances - Beginning of Year	<u>2,011,383</u>	<u>2,011,383</u>	<u>2,011,383</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,011,383</u>	<u>\$ 2,011,383</u>	<u>\$ 1,978,312</u>	<u>\$ (33,071)</u>



**TOWN OF SAN FELIPE**  
**Required Supplemental Information**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2020**

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**1. Budget**

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The following procedures are followed in establishing the budgetary data:

- a. Prior to the beginning of the fiscal year, the Town prepares a budget for the next succeeding fiscal year.
- b. A meeting of the Town Council is then called for the purpose of adopting the proposed budget.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the Town Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Town Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Town Council, and are not made after the fiscal year end.

**TOWN OF SAN FELIPE**  
**Required Supplemental Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios –**  
**Last 10 Years\***

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service Cost	\$ 11,606	\$ 13,485	\$ 11,960	\$ 13,238	\$ 11,935	\$ 9,910
Interest (on the Total Pension Liability)	22,742	22,025	20,684	19,421	18,027	16,339
Difference between expected and actual experience	(3,180)	(140)	864	(1,223)	(6,928)	(2,896)
Changes of assumptions	1,312	-	-	-	10,618	-
Benefit payments, including refunds of employee contributions	(35,303)	(12,335)	(16,447)	(7,737)	(501)	-
<b>Net Change in Total Pension Liability</b>	<u>(2,823)</u>	<u>23,035</u>	<u>17,061</u>	<u>23,699</u>	<u>33,151</u>	<u>23,353</u>
<b>Total Pension Liability - Beginning</b>	<u>348,763</u>	<u>325,728</u>	<u>308,667</u>	<u>284,968</u>	<u>251,817</u>	<u>228,464</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>345,940</u></u>	<u><u>348,763</u></u>	<u><u>325,728</u></u>	<u><u>308,667</u></u>	<u><u>284,968</u></u>	<u><u>251,817</u></u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	7,606	7,600	7,308	7,155	8,847	7,753
Contributions - Employee	8,546	9,930	9,143	10,029	9,517	8,318
Net Investment Income	44,134	(8,658)	35,201	15,489	311	10,554
Benefit payments, including refunds of employee contributions	(35,303)	(12,335)	(16,447)	(7,737)	(501)	-
Administrative Expense	(249)	(167)	(182)	(175)	(190)	(110)
Other	(8)	(9)	(9)	(9)	(9)	(9)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>24,726</u>	<u>(3,639)</u>	<u>35,014</u>	<u>24,752</u>	<u>17,975</u>	<u>26,506</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>285,054</u>	<u>288,693</u>	<u>253,679</u>	<u>228,927</u>	<u>210,951</u>	<u>184,445</u>
<b>Plan Fiduciary Net Position - Ending (b) **</b>	<u><u>309,780</u></u>	<u><u>285,054</u></u>	<u><u>288,693</u></u>	<u><u>253,679</u></u>	<u><u>228,926</u></u>	<u><u>210,951</u></u>
<b>Net Pension Liability - Ending (a) - (b)</b>	36,160	63,709	37,035	54,988	56,042	40,866
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	89.55%	81.73%	88.63%	82.19%	80.33%	83.77%
<b>Covered Employee Payroll</b>	170,928	198,600	182,870	200,570	190,348	166,351
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	21.16%	32.08%	20.25%	27.42%	29.44%	24.57%

\*Note: GASB No. 68 requires ten fiscal years of data to be provided in this schedule. Fiscal year ending 2015 was the first year of implementation. The Town will develop the schedule prospectively.

\*\* Fiduciary Net Position may be off a dollar due to rounding.

**TOWN OF SAN FELIPE**  
**Required Supplemental Information**  
**Schedule of Changes in Postemployment Benefits Other Than Pensions (OPEB) Liability and Related Ratios –**  
**Last 10 Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 376	\$ 496	\$ 402
Interest (on the Total OPEB Liability)	438	405	395
Difference between expected and actual experience	1,524	(401)	-
Changes of assumptions	2,972	(829)	960
Benefit payments	<u>(51)</u>	<u>(20)</u>	<u>-</u>
<b>Net Change in Total OPEB Liability</b>	5,259	(349)	1,757
<b>Total OPEB Liability - Beginning</b>	<u>11,649</u>	<u>11,998</u>	<u>10,241</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 16,908</u>	<u>\$ 11,649</u>	<u>\$ 11,998</u>
<b>Covered Employee Payroll</b>	170,928	198,600	182,870
<b>OPEB Liability as a Percentage of Covered Employee Payroll</b>	9.89%	5.87%	6.56%

\*Note: GASB No. 75 requires ten fiscal years of data to be provided in this schedule. Fiscal year ending 2018 was the first year of implementation. The Town will develop the schedule prospectively.

## **Supplemental Information**

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

To the Honorable Mayor and Town Council  
Town of San Felipe, 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 of the Town of San Felipe, Texas (the Town) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 11, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, material weaknesses may exist that have not been identified.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2018-001 to be material weaknesses.

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

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2018-001.

**The Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haynie & Company*

San Antonio, Texas  
May 11, 2021

## **Schedule of Findings**

# TOWN OF SAN FELIPE

## Schedule of Findings

### **Finding 2018-001—Budgetary Compliance**

*Criteria:* In accordance with the *Texas Local Government Code, Title 2, Subtitle B, Chapter 22, Subchapter A*, any expenditures in excess of the budget require that the governing body direct the issuance of any order of payment.

*Condition:* We observed during our audit procedures that the Town incurred and paid some expenditures in excess of what was approved in the budget. Furthermore, there did not appear to be adequate documentation of authorization from the governing body of these expenditures in the minutes or by other means.

*Context:* During our analysis of budget to actual activities, we noted budget shortages that could have been corrected by budgetary amendment(s) during the fiscal year. Also, a more proactive approach to reviewing and authorizing expenditures by the governing body on a timelier basis could have helped prevent this.

*Cause and Effect:* Without adequate procedures surrounding the Town's budgetary process, differences between the budgeted and actual financial data will continue to occur and the payment of unauthorized expenditures may result.

*Recommendation:* The governing body should review budget variances at least monthly in its town council meetings. This will enable the governing body to monitor remaining totals for each budget line and authorize expenditures above budgeted amounts and amend the budget in a timely manner in the event of an anticipated shortfall.

*Views of Responsible Official(s) and Planned Corrective Actions:* We have reviewed and concur with the observation discussed above. The town Council has since begun monitoring budget variances and addressing potential shortfalls before they occur. The Town Council has also taken steps for reopening and amending the budget when necessary.