

RECEIVED
8/11/2025



TOWN OF SAN FELIPE
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2023



TOWN OF SAN FELIPE

TOWN OFFICIALS

**MAYOR
MAYOR PRO-TEM**

**BOBBY BYARS
LARRY GENTRY**

ALDERMAN

SANDRA "SANDY" BROOKS

DERRICK D. DABNEY

MICHEL ELLIOTT

ALFRED HALL

TOWN SECRETARY

SUE FOLEY

**TOWN OF SAN FELIPE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | <u>PAGE</u> |
|-------------------|-------------|
| TOWN OFFICIALS | i |
| TABLE OF CONTENTS | ii |

FINANCIAL SECTION

| | |
|--|----|
| INDEPENDENT AUDITOR'S REPORT..... | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS..... | 4 |
| BASIC FINANCIAL STATEMENTS..... | 10 |
| STATEMENT OF NET POSITION..... | 11 |
| STATEMENT OF ACTIVITIES..... | 13 |
| BALANCE SHEET - GOVERNMENTAL FUNDS..... | 14 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION..... | 15 |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS..... | 16 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES..... | 17 |
| NOTES TO BASIC FINANCIAL STATEMENTS..... | 18 |
| REQUIRED SUPPLEMENTARY INFORMATION..... | 38 |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND..... | 39 |
| NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND | 40 |
| SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS | 41 |
| SCHEDULE OF EMPLOYER CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN | 43 |
| SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS | 44 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund information of Town of San Felipe as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Town of San Felipe's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of Town of San Felipe, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of San Felipe and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Town of San Felipe's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of San Felipe's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedules related to the Town's net pension and total other postemployment benefit liabilities – TMRS, as listed in the table of contents, 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 management's discussion and analysis, budgetary comparison information and schedules of changes - net pension liability and related ratios, and the schedule of Town Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
July 23, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of San Felipe's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's total net position was \$4.4 million at September 30, 2023.
- During the year, the Town's governmental expenses were \$406 thousand less than the \$1.4 million generated in general and program revenues for governmental activities. The total cost of the Town's programs increased 26% from the prior year.
- The general fund reported a fund balance this year of \$2 million, an increase of \$120 thousand.

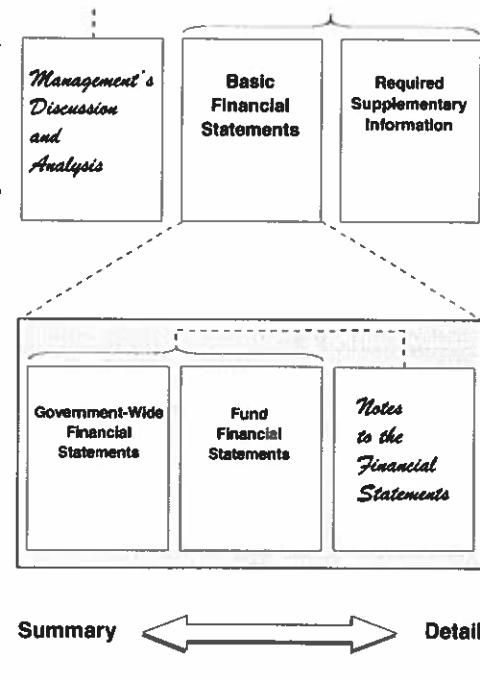
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *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.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

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* that further explains and supports 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, Required Components of the Town's Annual Financial Report



| Figure A-2. Major Features of the Town's Government-wide and Fund Financial Statements | | |
|--|--|---|
| Fund Statements | | |
| Type of Statements | Government-wide | Governmental Funds |
| Scope | Entire Town's government (except fiduciary funds) and the Town's component units | The activities of the Town that are not proprietary or fiduciary |
| Required financial statements | <ul style="list-style-type: none"> Statement of net position Statement of activities | <ul style="list-style-type: none"> Balance Sheet Statement of revenues, expenditures & changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter. |

Figure A-2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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 they have 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 non-financial 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 admin, public safety, public works, and community center. Property and sales taxes finance most of these activities.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net position. The Town's combined net position was \$4.4 million at September 30, 2023. (See Table A-1).

| City's Net Position | Governmental Activities | | Total Percentage Change 2023-2022 |
|--|----------------------------|----------------------------|--------------------------------------|
| | 2023 | 2022 | |
| <i>Assets:</i> | | | |
| Current Assets | \$ 2,600,854 | \$ 2,194,312 | 19% |
| Other Assets | 3,004,230 | 2,700,624 | 11% |
| <i>Total Assets</i> | <u>5,605,084</u> | <u>4,894,936</u> | 15% |
| <i>Deferred Outflows of Resources:</i> | <u>30,777</u> | <u>10,227</u> | 201% |
| <i>Liabilities:</i> | | | |
| Current Liabilities | 665,273 | 368,425 | 81% |
| Long-Term Liabilities | 566,859 | 515,490 | 10% |
| <i>Total Liabilities</i> | <u>1,232,132</u> | <u>883,915</u> | 39% |
| <i>Deferred Inflows of Resources:</i> | <u>6,950</u> | <u>30,759</u> | -77% |
| <i>Net Position:</i> | | | |
| Net Investment in Capital Assets | 2,421,080 | 2,137,687 | 13% |
| Restricted for Capital Projects | 213,549 | 1,609,448 | -87% |
| Restricted for Municipal Technology | 988 | - | 100% |
| Unrestricted | <u>1,761,162</u> | <u>243,354</u> | 624% |
| <i>Total Net Position</i> | <u><u>\$ 4,396,779</u></u> | <u><u>\$ 3,990,489</u></u> | 10% |

The unrestricted net position represents resources available to fund the programs of the Town next year.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's 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.

- Some funds are required by State law and by bond covenants.
- The Town Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Town has the following kinds of funds:

- *Governmental funds*—Most of the Town'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 flow in and out 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

Governmental Activities

- Property Tax Rates were assessed at \$0.120958 per \$100 valuation

Table A-2 summarizes the changes in the Town's net position for 2023 and 2022 fiscal years.

Table A-2
Changes in City's Net Position

| | Governmental Activities | | Total Percentage Change 2023-2022 |
|--|-------------------------|---------------------|-----------------------------------|
| | 2023 | 2022 | |
| <i>Program Revenues:</i> | | | |
| Charges for Services | \$ 165,105 | \$ 128,687 | 28% |
| Operating Grants and Capital Contributions | 396,306 | 740,260 | -46% |
| <i>General Revenues:</i> | | | |
| Taxes | 777,572 | 788,697 | -1% |
| Other | 42,173 | 30,427 | 39% |
| TOTAL REVENUES | 1,381,156 | 1,688,071 | -18% |
| <i>Program Expenses:</i> | | | |
| Administration | 743,024 | 619,796 | 20% |
| Public Safety | 46,234 | 35,449 | 30% |
| Public Works | 156,686 | 97,495 | 61% |
| Community Center Expense | 12,851 | 1,977 | 550% |
| Interest | 16,071 | 16,749 | -4% |
| TOTAL EXPENSES | 974,866 | 771,466 | 26% |
| Change in Net Position | 406,290 | 916,605 | -56% |
| Net Position at Beginning of Year | <u>3,990,489</u> | <u>3,073,884</u> | 30% |
| Net Position at End of Year | \$ 4,396,779 | \$ 3,990,489 | 10% |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the Town had invested \$3 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure (road improvements). The significant additions for 2023 were the drainage and paving improvements. (See Table A-3.)

Table A-3
City's Capital Assets

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2023 | 2022 |
| Land | \$ 21,405 | \$ 21,405 |
| Buildings and Improvements | 1,048,294 | 1,048,294 |
| Furniture and Equipment | 467,303 | 434,052 |
| Infrastructure | 3,057,467 | 2,536,043 |
| Construction in Progress | 64,433 | 222,918 |
| Totals at Historical Cost | 4,658,902 | 4,262,712 |
| Accumulated Depreciation | (1,654,672) | (1,570,666) |
| Net Capital Assets | <u>\$ 3,004,230</u> | <u>\$ 2,692,046</u> |

More detailed information about the Town's capital assets is presented in the notes to the financial statements.

Long Term Debt

As of September 30, 2023, the Town had \$582 thousand in long term debt outstanding as shown in Table A-4. More detailed information about the Town's debt is presented in the notes to the financial statements.

Table A-4
City's Long-Term Debt

| | Governmental Activities | |
|----------------------|-------------------------|-------------------|
| | 2023 | 2022 |
| Bonds | \$ 495,000 | \$ 545,000 |
| Notes Payable | 88,150 | 9,360 |
| Total Long-Term Debt | <u>\$ 583,150</u> | <u>\$ 554,360</u> |

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Revenues from governmental fund types decreased to \$1.4 million from \$1.7 million. The decrease in revenue was largely due to less grant revenue being received this year. Governmental expenditures increased \$202 thousand.

Budgetary Highlights

The Town's actual expenditures in the General Fund were \$2.5 million less than final budgeted amounts and revenues were lower than the budget by \$3.1 million. Revenues fell short in capital grants from their current CDBG funding. Expenditures were under budget due to less than expected CDBG project expenses. Fund balance increased \$122 thousand less than projected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Expenditures are expected to increase \$3.1 million or 69% from the 2023 actual expenditures.
- The 2023-2024 budget includes no change in property tax rate and an estimated revenue of \$200,000.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Town Hall at (979)-885-7035 or visit the Town's website at www.townofsanfelipe.net.



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**TOWN OF SAN FELIPE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| <i>Current Assets:</i> | |
| Cash and Cash Equivalents | \$ 449,456 |
| Certificate of Deposit | 1,405,655 |
| Cash and Cash Equivalents - Restricted | 213,549 |
| Investments | 86,617 |
| Ad Valorem Taxes Receivable, Net | 10,034 |
| Sales Tax Receivable | 94,926 |
| Grant Receivable | 340,617 |
| <i>Total Current Assets</i> | <u>2,600,854</u> |
| <i>Noncurrent Assets:</i> | |
| Capital Assets, Net | <u>3,004,230</u> |
| <i>Total Noncurrent Assets</i> | <u>3,004,230</u> |
| TOTAL ASSETS | <u>5,605,084</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Pension Related Outflows | 30,680 |
| Deferred Other Post Employment Benefit Outflows | 97 |
| TOTAL DEFERRED OUTFLOWS | <u>\$ 30,777</u> |

See accompanying notes to basic financial statements.

TOWN OF SAN FELIPE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2023

| | <u>Governmental Activities</u> |
|--|--------------------------------|
| LIABILITIES | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | \$ 390,213 |
| Accrued Wages | 27,918 |
| Accrued Interest | 886 |
| Unearned Revenue | 169,673 |
| Accrued Compensated Absences | 8,199 |
| Current Maturities of Long-term Debt | <u>68,384</u> |
| <i>Total Current Liabilities</i> | <u>665,273</u> |
| <i>Long-term Liabilities:</i> | |
| Long-term Debt (Net of Current) | 514,766 |
| Net Pension Liability | 40,635 |
| Total Other Post Employment Benefit Liability | <u>11,458</u> |
| <i>Total Long-term Liabilities</i> | <u>566,859</u> |
| TOTAL LIABILITIES | <u>1,232,132</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Pension Related Inflows | 1,680 |
| Deferred Other Post Employment Benefits Inflows | <u>5,270</u> |
| TOTAL DEFERRED INFLOWS | <u>6,950</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 2,421,080 |
| Restricted for Capital Projects | 213,549 |
| Restricted for Municipal Technology & Court Security | 988 |
| Unrestricted | <u>1,761,162</u> |
| TOTAL NET POSITION | <u>\$ 4,396,779</u> |

See accompanying notes to basic financial statements.

**TOWN OF SAN FELIPE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| Functions and Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes | | |
|--|-----------------|---------------------------------|---|--|------------------------------------|--|
| | | Charges for Services | Capital Grants and Contributions | Primary Government | Governmental Activities | |
| Primary Government: | | | | | | |
| <i>Governmental Activities:</i> | | | | | | |
| Administration | \$ 743,024 | \$ - | \$ 823 | \$ (742,201) | | |
| Public Safety | 46,234 | 143,967 | - | | 97,733 | |
| Public Works | 156,686 | 21,138 | 395,483 | | 259,935 | |
| Community Center | 12,851 | - | - | | (12,851) | |
| Interest | 16,071 | - | - | | (16,071) | |
| <i>Total Governmental Activities</i> | <i>974,866</i> | <i>165,105</i> | <i>396,306</i> | | <i>(413,455)</i> | |
| General Revenues: | | | | | | |
| Ad Valorem Taxes | | | | | 194,921 | |
| Franchise Taxes | | | | | 43,489 | |
| Sales Taxes | | | | | 539,162 | |
| Interest and Investment Earnings | | | | | 16,329 | |
| Miscellaneous | | | | | 25,844 | |
| Total General Revenues | | | | | 819,745 | |
| Change in Net Position | | | | | 406,290 | |
| Net Position at Beginning of Year | | | | | 3,990,489 | |
| Net Position at End of Year | | | | | \$ 4,396,779 | |

See accompanying notes to basic financial statements.

TOWN OF SAN FELIPE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

| | General Fund |
|---|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 619,230 |
| Certificate of Deposit | 1,405,655 |
| Cash and Cash Equivalents - Restricted | 43,775 |
| Investments | 86,617 |
| Ad Valorem Taxes Receivable, Net | 10,034 |
| Sales Tax Receivable | 94,926 |
| Grant Receivable | <u>340,617</u> |
| TOTAL ASSETS | <u><u>\$ 2,600,854</u></u> |
| LIABILITIES, DEFERRED INFLows OF RESOURCES AND FUND BALANCES | |
| <i>Liabilities:</i> | |
| Accounts Payable | \$ 390,213 |
| Unearned Revenues | 169,673 |
| Accrued Wages | 27,918 |
| <i>Total Liabilities</i> | <u>587,804</u> |
| <i>Deferred Inflows of Resources:</i> | |
| Unavailable Revenues - Property Taxes | <u>10,034</u> |
| <i>Fund Balances:</i> | |
| Unassigned | 1,958,253 |
| Restricted for Municipal Technology & Court Security | 988 |
| Restricted for Capital Projects | 43,775 |
| <i>Total Fund Balances</i> | <u>2,003,016</u> |
| TOTAL LIABILITIES, DEFERRED INFLows OF RESOURCES AND FUND BALANCES | <u><u>\$ 2,600,854</u></u> |

See accompanying notes to basic financial statements.

**TOWN OF SAN FELIPE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,003,016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the fund statements. 10,034

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,004,230

Long-term liabilities, including bonds and notes payables are not due and payable in the current period and, therefore are not reported in the governmental funds. (583,150)

Net Pension Liabilities (Assets) (and related deferred inflows and outflows of resources) do not consume (or create) current financial resources and are not reported in governmental funds.

| | |
|-----------------------------------|----------|
| Net Pension Liability | (40,635) |
| Pension Related Deferred Outflows | 30,680 |
| Pension Related Deferred Inflows | (1,680) |

Total Other Post Employment Benefit (OPEB) Liabilities
(and related deferred inflows and outflows of resources)
do not consume current financial resources and are not reported in
governmental funds.

| | |
|--------------------------------|----------|
| Total OPEB Liability | (11,458) |
| OPEB Related Deferred Outflows | 97 |
| OPEB Related Deferred Inflows | (5,270) |

Other liabilities are not due and payable in the current period, and therefore, not reported in the funds.

| | |
|------------------------------|---------|
| Accrued Interest | (886) |
| Accrued Compensated Absences | (8,199) |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 4,396,779**

See accompanying notes to basic financial statements.

**TOWN OF SAN FELIPE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | <u>General Fund</u> |
|---|----------------------------|
| REVENUES | |
| Ad Valorem Taxes | \$ 194,378 |
| Grants and Donations | 396,306 |
| Franchise Fees | 43,489 |
| Sales Taxes | 539,162 |
| Fines and Forfeitures | 143,967 |
| Garbage Bag Sales | 14,518 |
| Licenses, Permits, and Fees | 6,620 |
| Interest Income | 16,329 |
| Miscellaneous Income | 14,731 |
| TOTAL REVENUES | <u>1,369,500</u> |
| EXPENDITURES | |
| Current: | |
| Administration | 598,614 |
| Public Safety | 46,234 |
| Public Works | 155,305 |
| Community Center | 12,851 |
| Capital Outlay | 459,800 |
| Debt Service: | |
| Principal | 69,450 |
| Interest | 16,161 |
| TOTAL EXPENDITURES | <u>1,358,415</u> |
| OTHER FINANCING SOURCES (USES) | |
| Issuance of Debt | 98,240 |
| Sale of Real Estate | 11,115 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>109,355</u> |
| Net Change in Fund Balance | 120,440 |
| BEGINNING FUND BALANCE | 1,882,576 |
| ENDING FUND BALANCE | <u>\$ 2,003,016</u> |

See accompanying notes to basic financial statements.

TOWN OF SAN FELIPE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 120,440

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

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

| | | |
|----------------------|------------------|---------|
| Capital Outlay | 459,800 | |
| Depreciation Expense | <u>(147,616)</u> | |
| | | 312,184 |

The issuance of long-term debt (e.g. bonds and notes payable) provide current financial resources of 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 interest expense and compensated absences when they are due and payable, while the statement of activities recognizes interest expense and compensated absences when incurred.

| | | |
|--------------------------------------|-----------|----------|
| Principal Payments on Long-term Debt | 69,451 | |
| Proceeds from Debt Issuance | (98,240) | |
| Change in Compensated Absences | (431) | |
| Change in Accrued Interest | <u>90</u> | (29,130) |

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the expense for the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined pension expense.

2,621

Governmental funds report required contributions to Other Post Employment Benefits (OPEB) as expenditures. However, in the Statement of Activities the expense for the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined OPEB expense.

(367)

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

542

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 406,290

See accompanying notes to basic financial statements.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of San Felipe, Texas (“Town”), established in 1837, in Austin County, just west of Houston. The Town is governed by an elected mayor, mayor pro-term and 4 aldermen elected at large. The Town provides the following services: court, police, park maintenance, street maintenance, and trash pick-up.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

I. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, “The Financial Reporting Entity.” The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the forgoing criteria, there was no component units identified that would require inclusion in this report.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the Town. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds. The General Fund meets the criteria of a *major governmental fund*.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Property taxes which were levied prior to September 30, 2022, and became due October 01, 2022 have been assessed to finance the budget of the fiscal year beginning October 01, 2022.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

General Fund is the general operating fund of the Town and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include taxes and intergovernmental revenues. Primary expenditures are for general administration, public safety, public works and community center.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Town.

5. INVESTMENTS

State statutes authorize the Town to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The Town reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are stated at fair value (plus accrued interest) except for money market investments, certificates of deposit and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost.

The Town's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the investments are reported a \$1 per share, which approximates fair value.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2022 and past due after January 31, 2023. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the Town. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectable.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful life in excess of two years. Infrastructure assets include Town-owned streets, water system, and sewer system. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Estimated Life</u> |
|----------------------------|-----------------------|
| Buildings and Improvements | 25-50 years |
| Infrastructure | 20-40 years |
| Furniture and Equipment | 8-10 years |

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. COMPENSATED ABSENCES

Full-time employees earn sick and vacation leave at varying rates depending on length of service. Unused sick leave is not paid on termination and is not accrued in these financial statements. Vacation leave is paid on termination. Vacation leave is accrued as incurred in the government-wide and proprietary statements. However, it is recognized on the governmental fund statements only when it is due and payable.

10. UNAVAILABLE/UNEARNED REVENUE

Property tax and ARPA revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources). Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax is deferred and recognized as an inflow of resources in the period the amounts become available.

Property tax is recognized when they become both measurable and available in the fund statements. Available means when due or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred inflows. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax is deferred and recognized as inflow of resource in the period the amount becomes available.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the discount. Bond issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs 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.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. PENSIONS

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

14. OPEB LIABILITY

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability have been determined on the same basis as they are reported by 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 and refunds are recognized when due and payable in accordance with the benefit terms. The general fund has typically been used in the prior year to liquidate OPEB liabilities.

15. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

16. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of Town Council. Committed amounts cannot be used for any other purpose unless the Town Council removes those constraints through the same formal action.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. FUND BALANCES (CONTINUED)

Assigned - Represents amounts which the Town intends to use for a specific purpose but do not meet the criteria of restricted or committed. The Town Council has also given the authority to create assignments to the Town Administrator.

Unassigned - Represents the residual balance that may be spent on any other purpose of the Town.

When an expenditure is incurred for a purpose in which multiple classifications are available, the Town considers restricted balances spent first, committed second and assigned third.

17. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

NOTE B -- DEPOSITS AND INVESTMENTS

As of September 30, 2023, the Town had \$1,548,549 in restricted certificates of deposit, cash, and equivalents. The Town has received funding in the form of grants and bonds that are restricted for the purpose of capital projects.

As of and for the year ending September 30, 2023, the Town had the following investments

| <u>Investment Type</u> | <u>Net Asset Value</u> | <u>Weighted Average Maturity (Days)</u> | <u>Rating</u> | <u>Agency</u> |
|------------------------|------------------------|---|---------------|-------------------|
| TexPool | \$ 86,617 | 26 | AAAm | Standard & Poor's |

Investment Rate Risk. The City and component unit manage exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE B -- DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. The Town's investment policy limits investments to obligations of the United States (up to 95% of total invested funds) or its agencies and instrumentalities (maximum 80% of funds); direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm. U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

The Town may also invest funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2023, the investment in TexPool was rated AAA by Standard & Poor's. The Town may invest in Money Market Mutual funds that are regulated by the SEC and have a dollar weighted average stated maturity of 90 days or less and maintain a net asset value of \$1.00 per share.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's cash and cash equivalents are held in a couple of financial institutions, and cash balances of up to \$250,000 are secured by the Federal Deposit Insurance Corporation (FDIC) at each financial institution. Cash balances were within federal deposit insurance coverage as of September 30, 2023.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2023, the Town was not exposed to custodial credit risk.

NOTE C – PROPERTY TAX CALENDAR

The Town's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the Town. Assessed values are established by the Austin County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2022, upon which the fiscal 2023 levy was based, was \$158 million (i.e., market value less exemptions).

The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2023, was \$0.120598 per \$100 of assessed value. The Town may not adopt a tax rate that exceeds the voter approved tax rate calculated in accordance with the Texas Property Tax Code without holding an election. The Town may levy an interest and sinking tax rate at any level necessary to service voter approved debts. The maintenance and operations tax rate is limited to annual growth of 3.5% without an election.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE D – CAPITAL ASSETS

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

| | Balance 10/1/2022 | Additions | Disposals/ Transfers | Balance 9/30/2023 |
|--------------------------------|----------------------------|--------------------------|-------------------------|----------------------------|
| <i>Governmental Activities</i> | | | | |
| Land | \$ 21,405 | \$ - | \$ - | \$ 21,405 |
| Buildings and Improvements | 1,048,294 | - | - | 1,048,294 |
| Furniture and Equipment | 434,052 | 96,861 | (63,610) | 467,303 |
| Infrastructure | 2,536,043 | - | 521,424 | 3,057,467 |
| Construction in Progress | 222,918 | 362,939 | (521,424) | 64,433 |
| | <u>4,262,712</u> | <u>459,800</u> | <u>(63,610)</u> | <u>4,658,902</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (652,312) | (25,993) | - | (678,305) |
| Furniture and Equipment | (385,851) | (17,340) | 63,610 | (339,581) |
| Infrastructure | (532,503) | (104,283) | - | (636,786) |
| | <u>(1,570,666)</u> | <u>(147,616)</u> | <u>63,610</u> | <u>(1,654,672)</u> |
| Governmental Activities, Net | <u><u>\$ 2,692,046</u></u> | <u><u>\$ 312,184</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,004,230</u></u> |

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

| | |
|------------------------------|--------------------------|
| Administration | \$ 32,526 |
| Public Safety | 16,035 |
| Public Works | <u>99,055</u> |
| Total Depreciation Expense - | |
| Governmental Activities | <u><u>\$ 147,616</u></u> |

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE E -- LONG-TERM DEBT

Changes in long-term debt were as follows:

| | Balance 10/1/2022 | Additions | Reductions | Balance 9/30/2023 |
|---------------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| <i>Governmental Activities:</i> | | | | |
| Bonds and Notes | \$ 554,360 | \$ 98,240 | \$ (69,450) | \$ 583,150 |
| Compensated Absences | 7,769 | 430 | - | 8,199 |
| Net Pension Liability | 8,578 | 32,057 | - | 40,635 |
| Total OPEB Liability | <u>18,567</u> | <u>-</u> | <u>(7,109)</u> | <u>11,458</u> |
| <i>Total Governmental</i> | <u><u>\$ 589,274</u></u> | <u><u>\$ 130,727</u></u> | <u><u>\$ (76,559)</u></u> | <u><u>\$ 643,442</u></u> |

NOTE F -- BONDS, CERTIFICATES AND NOTES PAYABLE

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.

2019 Note Payable

On January 28, 2019, the Town entered into an agreement with KS State Bank for the purchase of a new 2019 Chevy Silverado for \$33,940. The note requires 60 payments of \$647 and ends on December 28, 2023. The note carries an interest rate of .45%. The vehicle has accumulated depreciation of \$14,546 as of September 30, 2023. The loan was completed paid off as of September 30, 2023.

2023 Note Payable

On July 15, 2023, the Town entered into an agreement with KS State Bank for the purchase of a new 2023 Chevrolet Tahoe for \$41,135. The note requires 60 payments of \$815 and ends June 15, 2028. The note carries an interest rate of .59%. The vehicle has accumulated depreciation of \$1,469 as of September 30, 2023.

John Deere Note Payable

On December 14, 2022, the Town entered into an agreement with John Deere for various pieces of farming equipment totaling \$55,725. The note requires 60 payments of \$951 and ends on December 14, 2027. The note carries an interest rate of .04%. The equipment has accumulated depreciation of \$6,533 as of September 30, 2023.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE F -- BONDS, CERTIFICATES AND NOTES PAYABLE (CONTINUED)

Changes in bonds, notes and certificates were as follows:

| | <u>Balance</u> <u>10/1/2022</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>9/30/2023</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|------------------------------------|------------------|--------------------|------------------------------------|--------------------------------------|
| <i>Governmental Activities:</i> | | | | | |
| CO, Series 2017 | \$ 545,000 | \$ - | \$ (50,000) | \$ 495,000 | \$ 50,000 |
| Notes Payable | 9,360 | - | (9,360) | - | - |
| John Deere | - | 57,105 | (8,359) | 48,746 | 11,145 |
| 2023 Note Payable | - | 41,135 | (1,732) | 39,404 | 7,239 |
| <i>Total Governmental</i> | <u>\$ 554,360</u> | <u>\$ 98,240</u> | <u>\$ (69,451)</u> | <u>\$ 583,150</u> | <u>\$ 68,384</u> |

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences and bond premium, as of September 30, 2023, including interest payments, are as follows:

| <u>Fiscal Year Ending</u> | <u>Notes Payable</u> | | | |
|---------------------------|--------------------------|-------------------------|--------------------------|--------------|
| | <u>September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | \$ 68,384 | \$ 16,171 | \$ 84,555 | |
| 2025 | 69,211 | 14,224 | 83,435 | |
| 2026 | 70,558 | 12,238 | 82,796 | |
| 2027 | 75,083 | 10,141 | 85,224 | |
| 2028-2032 | <u>299,914</u> | <u>21,296</u> | <u>321,210</u> | |
| Total | <u>\$ 583,150</u> | <u>\$ 74,070</u> | <u>\$ 657,220</u> | |

NOTE G -- PENSION PLAN

Plan Description

The Town participates as one of 928 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 and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- PENSION PLAN (CONTINUED)

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 payments 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.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 5%, and the Town matching percent is currently 4%.

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

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 4 | 4 |
| Inactive Employees Entitled to but Not Yet Receiving Benefits | 4 | 4 |
| Active employees | <u>5</u> | <u>4</u> |
| | <u>13</u> | <u>12</u> |

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 were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 3.78% and 3.62% in calendar years 2022 and 2023, respectively. The Town's contributions to TMRS for the year ended September 30, 2023 were \$9,439, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- PENSION PLAN (CONTINUED)

Actuarial Assumptions

The Town's net pension liability (NPL) was measured as of December 31, 2022 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 10 Years |
| Asset Valuation Method | 10 Year Smoothed Market; 12% Soft Corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% Including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-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. 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. |

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 are based on the Gender-distinct 2019. Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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 for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are 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.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Global Equity | 35.00% | 7.70% |
| Core Fixed Income | 6.00% | 4.90% |
| Non-Core Fixed Income | 20.00% | 8.70% |
| Real Return | 12.00% | 8.10% |
| Real Estate | 12.00% | 5.80% |
| Absolute Return | 5.00% | 6.90% |
| Private Equity | 10.00% | 11.80% |
| | 100.00% | |

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.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|--|----------------------------|--------------------------------|----------------------------------|
| Balance at December 31, 2021 | \$ 371,507 | \$ 380,085 | \$ (8,578) |
| Changes for the year: | | | |
| Service Cost | 14,749 | - | 14,749 |
| Interest | 25,031 | - | 25,031 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | 721 | - | 721 |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | 8,178 | (8,178) |
| Contributions - Employee | - | 10,829 | (10,829) |
| Net Investment Income | - | (27,766) | 27,766 |
| Benefit Payments, Including Refunds of Employee Contributions | (16,099) | (16,099) | - |
| Administrative Expense | - | (240) | 240 |
| Other Changes | - | 287 | (287) |
| Net Changes | 24,402 | (24,811) | 49,213 |
| Balance at December 31, 2022 | <u>\$ 395,909</u> | <u>\$ 355,274</u> | <u>\$ 40,635</u> |

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

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

| | Discount Rate | Discount Rate | Discount Rate |
|-------------------------------|---------------|---------------|---------------|
| | 5.75% | 6.75% | 7.75% |
| Net Pension Liability (Asset) | \$ 86,717 | \$ 40,635 | \$ 2,014 |

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G – PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the Town recognized pension expense of \$6,333. Also as of September 30, 2023, 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 | \$ 23,943 | \$ - |
| Changes in Actuarial Assumptions | 104 | - |
| Differences Between Projected and Actual Investment Earnings | 740 | 2,420 |
| Contributions Subsequent to the Measurement Date | <u>6,633</u> | <u>-</u> |
| | <u><u>\$ 31,420</u></u> | <u><u>\$ 2,420</u></u> |

Deferred outflows of resources in the amount of \$6,633 are related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,

| | |
|------|-------------------------|
| 2023 | \$ (1,035) |
| 2024 | 6,206 |
| 2025 | 6,514 |
| 2026 | 10,682 |
| 2027 | - |
| | <u><u>\$ 22,367</u></u> |

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- OTHER POST-EMPLOYMENT BENEFIT

The Town also participates in the cost sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town 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 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); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2022, the valuation and measurement date, consisted of:

| | <u>2021</u> | <u>2022</u> |
|--|-------------|-------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 2 | 2 |
| Inactive Employees Entitled to but Not Yet Receiving Benefits | 0 | 1 |
| Active employees | 5 | 4 |
| | <u>7</u> | <u>7</u> |

The SDBF required contribution rates, based on these assumptions, are as follows:

| For the Plan Year Ended December 31, | <u>Total SDBF Contribution Rate</u> | <u>Retiree SDBF Contribution Rate</u> |
|--------------------------------------|-------------------------------------|---------------------------------------|
| 2023 | 0.38% | 0.10% |
| 2022 | 0.21% | 0.08% |

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100%. The assumptions are summarized below:

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (CONTINUED)

These assumptions are summarized below:

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------------|--|
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% Including Inflation |
| Discount Rate | 4.05% (Based on Fidelity's 20-Year Municipal GO AA Index) |
| Administrative Expenses | All administrative expenses are paid thru 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 disabled 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 Town's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2022, the measurement and actuarial valuation date, was calculated as follows:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at December 31, 2021 | \$ 18,567 |
| Changes for the year: | |
| Service Cost | 1,148 |
| Interest | 351 |
| Change of Benefit Terms | - |
| Difference Between Expected and Actual Experience | (3,140) |
| Changes in Assumptions or Other Inputs | (5,295) |
| Benefit Payments | <u>(173)</u> |
| Net Changes | <u>(7,109)</u> |
| Balance at December 31, 2022 | <u><u>\$ 11,458</u></u> |

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (CONTINUED)

The following presents the TOL of the Town, calculated using the discount rate of 4.05% as well as what the Town's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

| | Discount Rate | Discount Rate | Discount Rate |
|----------------------|---------------|---------------|---------------|
| | 3.05% | 4.05% | 5.05% |
| Total OPEB Liability | \$ 13,542 | \$ 11,458 | \$ 9,773 |

For the year ended September 30, 2023, the Town recognized OPEB expense of \$512. Also as of September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in Actuarial Assumptions/Inputs | \$ - | \$ 1,547 |
| Changes in Experience | - - | 3,723 |
| Contributions Subsequent to the Measurement Date | 97 | - |
| | <u>\$ 97</u> | <u>\$ 5,270</u> |

Deferred outflows of resources in the amount of \$97 is resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,

| | |
|------------|-------------------|
| 2023 | \$ (987) |
| 2024 | (1,059) |
| 2025 | (893) |
| 2026 | (1,182) |
| 2027 | (1,149) |
| Thereafter | - |
| | <u>\$ (5,270)</u> |

TOWN OF SAN FELIPE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE I -- RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The Town contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the Town is generally limited to the contributed amounts for losses up to coverage limits.

NOTE J -- COMMITMENTS AND CONTINGENCIES

Commitments

As of September 30, 2023, the Town had entered into contracts for engineering and construction services for drainage and pavement improvements projects for an estimated total of \$3.5 million. Of this amount, \$586 thousand had been incurred through September 30, 2023, leaving an estimated commitment of \$2.9 million.

Litigation

The Town is not aware of any pending or threatened litigation.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Post-Employment Benefit Liability and Related Ratios

TOWN OF SAN FELIPE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE ACTUAL TOTALS FOR 2022)

| | Budget Amounts | | Actual Amounts | Variance Favorable (Unfavorable) | 2022 Actual |
|-----------------------------------|--------------------|--------------------|--------------------|--|--------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Ad Valorem Taxes | \$ 195,000 | \$ 195,000 | \$ 194,378 | \$ (622) | \$ 183,594 |
| Grants and Donations | 3,526,681 | 3,526,681 | 396,306 | (3,130,375) | 740,260 |
| Franchise Fees | 38,000 | 38,000 | 43,489 | 5,489 | 45,821 |
| Sales Taxes | 520,000 | 520,000 | 539,162 | 19,162 | 558,162 |
| Fines and Forfeitures | 120,000 | 120,000 | 143,967 | 23,967 | 123,124 |
| Licenses, Permits and Fees | 5,000 | 5,000 | 6,620 | 1,620 | 5,563 |
| Garbage Bag Sales | 9,000 | 9,000 | 14,518 | 5,518 | 10,363 |
| Interest Income | 12,296 | 12,296 | 16,329 | 4,033 | 13,022 |
| Miscellaneous | 7,400 | 7,400 | 14,731 | 7,331 | 7,042 |
| TOTAL REVENUES | 4,433,377 | 4,433,377 | 1,369,500 | (3,063,877) | 1,686,951 |
| EXPENDITURES | | | | | |
| <i>Current:</i> | | | | | |
| Administration | 634,551 | 588,651 | 598,614 | (9,963) | 485,448 |
| Public Safety | 40,100 | 49,100 | 46,234 | 2,866 | 42,496 |
| Public Works | 3,005,766 | 3,045,766 | 155,305 | 2,890,461 | 142,525 |
| Community Center | 56,913 | 56,913 | 12,851 | 44,062 | 1,977 |
| Capital Outlay | 459,800 | 459,800 | 459,800 | - | 777,247 |
| Debt Service: | | | | | |
| Principal | 76,800 | 84,000 | 69,450 | 14,550 | 52,048 |
| Interest | 16,161 | 16,161 | 16,161 | - | 16,830 |
| TOTAL EXPENDITURES | 4,290,091 | 4,300,391 | 1,358,415 | 2,941,976 | 1,518,571 |
| OTHER FINANCING | | | | | |
| SOURCES (USES) | | | | | |
| Sale of Real Estate | 11,115 | 11,115 | 11,115 | - | - |
| Proceeds from issuance of Debt | 98,240 | 98,240 | 98,240 | - | - |
| TOTAL OTHER FINANCING | | | | | |
| SOURCES (USES) | | | | | |
| | 109,355 | 109,355 | 109,355 | - | - |
| NET CHANGE IN FUND BALANCE | 252,641 | 242,341 | 120,440 | (121,901) | 168,380 |
| BEGINNING FUND BALANCE | 1,882,576 | 1,882,576 | 1,882,576 | - | 1,714,196 |
| ENDING FUND BALANCE | \$2,135,217 | \$2,124,917 | \$2,003,016 | \$ (121,901) | \$1,882,576 |

TOWN OF SAN FELIPE
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2023

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Town maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the Town Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund.

Budgetary preparation and control are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. During fiscal year 2023, the Town did not exceed its budget.

The Town does not use encumbrances.

TOWN OF SAN FELIPE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE PLAN (CALENDAR) YEARS

| Total Pension Liability | | 2014 | 2015 | 2016 |
|--|--|-------------------|-------------------|-------------------|
| Service Cost | | \$ 9,910 | \$ 11,935 | \$ 13,238 |
| Interest (on the Total Pension Liability) | | 16,339 | 18,027 | 19,421 |
| Changes of Benefit Terms | | - | - | - |
| Difference between Expected and Actual Experience | | (2,896) | (6,928) | (1,223) |
| Change of Assumptions | | - | 10,618 | - |
| Benefit Payments, Including Refunds of Employee Contributions | | - | (501) | (7,737) |
| Net Change in Total Pension Liability | | 23,353 | 33,151 | 23,699 |
| Total Pension Liability - Beginning | | <u>228,464</u> | <u>251,817</u> | <u>284,968</u> |
| Total Pension Liability - Ending | | <u>\$ 251,817</u> | <u>\$ 284,968</u> | <u>\$ 308,667</u> |
| Plan Fiduciary Net Position | | 2014 | 2015 | 2016 |
| Contributions - Employer | | \$ 7,753 | \$ 8,847 | \$ 7,155 |
| Contributions - Employee | | 8,318 | 9,517 | 10,029 |
| Net Investment Income | | 10,554 | 311 | 15,489 |
| Benefit Payments, Including Refunds of Employee Contributions | | - | (501) | (7,737) |
| Administrative Expense | | (110) | (190) | (174) |
| Other | | (9) | (9) | (9) |
| Net Change | | 26,506 | 17,975 | 24,753 |
| Beginning Plan Fiduciary Net Position | | <u>184,445</u> | <u>210,951</u> | <u>228,926</u> |
| Ending Plan Fiduciary Net Postion | | <u>\$ 210,951</u> | <u>\$ 228,926</u> | <u>\$ 253,679</u> |
| Net Pension (Asset) Liability - Ending | | \$ 40,866 | \$ 56,042 | \$ 54,988 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | | 83.77% | 80.33% | 82.19% |
| Covered Payroll | | \$ 166,351 | \$ 190,348 | \$ 200,570 |
| Net Pension Liability as a Percentage of Covered Payroll | | 24.57% | 29.44% | 27.42% |

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

| Total Pension Liability | | | | | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|--|--|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | | | |
| \$ 11,960 | \$ 13,485 | \$ 11,606 | \$ 13,597 | \$ 13,462 | \$ 14,749 | | | |
| 20,684 | 22,025 | 22,742 | 23,305 | 23,720 | 25,031 | | | |
| - | - | - | - | - | - | | | |
| 864 | (140) | (3,180) | (12,313) | 520 | 721 | | | |
| - | - | 1,312 | - | - | - | | | |
| (16,447) | (12,335) | (35,303) | (14,970) | (21,754) | (16,099) | | | |
| 17,061 | 23,035 | (2,823) | 9,619 | 15,948 | 24,402 | | | |
| 308,667 | 325,728 | 348,763 | 345,940 | 355,559 | 371,507 | | | |
| \$ 325,728 | \$ 348,763 | \$ 345,940 | \$ 355,559 | \$ 371,507 | \$ 395,909 | | | |
| Plan Fiduciary Net Position | | | | | | | | |
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | | | |
| \$ 7,308 | \$ 7,600 | \$ 7,606 | \$ 9,472 | \$ 10,071 | \$ 8,178 | | | |
| 9,143 | 9,930 | 8,546 | 10,254 | 9,972 | 10,829 | | | |
| 35,201 | (8,658) | 44,134 | 23,530 | 44,090 | (27,766) | | | |
| (16,447) | (12,335) | (35,303) | (14,970) | (21,754) | (16,099) | | | |
| (182) | (167) | (249) | (152) | (204) | (240) | | | |
| (9) | (9) | (8) | (6) | 2 | 287 | | | |
| 35,014 | (3,639) | 24,726 | 28,128 | 42,177 | (24,811) | | | |
| 253,679 | 288,693 | 285,054 | 309,780 | 337,908 | 380,085 | | | |
| \$ 288,693 | \$ 285,054 | \$ 309,780 | \$ 337,908 | \$ 380,085 | \$ 355,274 | | | |
| \$ 37,035 | \$ 63,709 | \$ 36,160 | \$ 17,651 | \$ (8,578) | \$ 40,635 | | | |
| 88.63% | 81.73% | 89.55% | 95.04% | 102.31% | 89.74% | | | |
| \$ 182,870 | \$ 198,600 | \$ 170,928 | \$ 205,084 | \$ 199,439 | \$ 216,573 | | | |
| 20.25% | 32.08% | 21.16% | 8.61% | -4.30% | 18.76% | | | |

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

TOWN OF SAN FELIPE
SCHEDULE OF EMPLOYER CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
LAST FOUR FISCAL YEARS

| Fiscal Year Ending September 30, | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | | Contribution Deficiency (Excess) | | Contributions as a Percentage of Covered Payroll |
|--|---|--|--|--|------|--|
| | | Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | | |
| 2023 | \$ 8,943 | \$ 8,943 | \$ - | \$ 236,126 | 3.8% | |
| 2022 | 8,507 | 8,507 | - | 207,719 | 4.1% | |
| 2021 | 9,734 | 9,734 | - | 201,643 | 4.8% | |
| 2020 | 8,998 | 8,998 | - | 196,327 | 4.6% | |

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (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 | 10 Years |
| Asset Valuation Method | 10 Year Smoothed Market; 12% Soft Corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% Including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-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. 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. |

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

TOWN OF SAN FELIPE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND
RELATED RATIOS
LAST SIX CALENDAR (PLAN) YEARS

| | Total OPEB Liability | | | |
|---|-----------------------------|------------------|------------------|------------------|
| | 2017 | 2018 | 2019 | 2020 |
| Service Cost | \$ 402 | \$ 496 | \$ 376 | \$ 800 |
| Interest | 395 | 405 | 438 | 475 |
| Changes of Benefit Terms | - | - | - | - |
| Difference between Expected and Actual Experience | - | (401) | 1,524 | (3,883) |
| Changes in Assumptions or Other Inputs | 960 | (829) | 2,972 | 2,616 |
| Benefit Payments | - | (20) | (51) | (62) |
| Net Change in Total Pension Liability | 1,757 | (349) | 5,259 | (54) |
| Total OPEB Liability - Beginning | <u>10,241</u> | <u>11,998</u> | <u>11,649</u> | <u>16,908</u> |
| Total OPEB Liability - Ending | <u>\$ 11,998</u> | <u>\$ 11,649</u> | <u>\$ 16,908</u> | <u>\$ 16,854</u> |
| Covered Payroll | \$ 182,870 | \$ 198,600 | \$ 170,928 | \$ 205,084 |
| Total OPEB Liability as a Percentage of Covered Payroll | 6.56% | 5.87% | 9.89% | 8.22% |
| Total OPEB Liability | | | | |
| | 2021 | 2022 | | |
| Service Cost | \$ 917 | \$ 1,148 | | |
| Interest | 344 | 351 | | |
| Changes of Benefit Terms | - | - | | |
| Difference between Expected and Actual Experience | 109 | (3,140) | | |
| Changes in Assumptions or Other Inputs | 602 | (5,295) | | |
| Benefit Payments | (259) | (173) | | |
| Net Change in Total Pension Liability | 1,713 | (7,109) | | |
| Total OPEB Liability - Beginning | <u>16,854</u> | <u>18,567</u> | | |
| Total OPEB Liability - Ending | <u>\$ 18,567</u> | <u>\$ 11,458</u> | | |
| Covered Payroll | \$ 199,439 | \$ 216,573 | | |
| Total OPEB Liability as a Percentage of Covered Payroll | 9.31% | 5.29% | | |

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

TOWN OF SAN FELIPE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND
RELATED RATIOS
LAST SIX CALENDAR (PLAN) YEARS (CONTINUED)

Notes to Schedule

Changes in Benefit Terms: None

Changes in Assumptions: The discount rate changes from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022.

Trust:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

| | |
|-------------------------------------|--|
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% Including Inflation |
| Discount Rate | 4.05% (Based on Fidelity's 20-Year Municipal GO AA Index) |
| Administrative Expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of 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 disabled 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. |
| Health Care Trend Rates | Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years. |
| Participation Rates | 30% of eligible retirees. |

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

