

CITY OF SAN AUGUSTINE, TEXAS

**AUDITED FINANCIAL STATEMENTS
AND REPORT ON COMPLIANCE**

SEPTEMBER 30, 2021

**CITY OF SAN AUGUSTINE, TEXAS
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**CITY OF SAN AUGUSTINE, TEXAS
PRINCIPAL CITY OFFICIALS
AT SEPTEMBER 30, 2021**

Leroy Hughes.....Mayor
Dan Fussell Alderman
Marcus Hafford..... Alderman
Steven Standley..... Alderman
Pamela Teel..... Alderwoman
Stacy Watts Alderman
Jeaneyse Mosby Interim City Manager
Cinda Garner..... City Secretary
Shannon Brazeal Chief of Police

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of San Augustine, Texas

Disclaimer of Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Augustine, Texas, (the "City") as of and for the fifteen (15) months ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the City San Augustine, Texas. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of San Augustine, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

The City changed banks three times within the fifteen month audit period. Many of the bank statements were not obtainable. Additionally, transactions were often posted to the general ledger in summary form and detailed information was not available or in agreement with the transaction. Further, the bank reconciliation for a significant cash account that was provided did not reconcile to the bank statement. Continued work on the reconciliation by the City Manager during the audit still left a significant unreconciled amount.

The possible effects of the above items are undetected misstatements that could be both material and pervasive. We were not able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion of these financial statements. Accordingly, we do not express an opinion of these financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

INDEPENDENT AUDITORS' REPORT – *CONTINUED*

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 the City of San Augustine, Texas' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 opinion. 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 generally accepted auditing standards and *Government Auditing Standards* 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 the City of San Augustine, Texas' 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of San Augustine, Texas' 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 the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, the schedule of pension contributions and related notes, and the schedule of changes in total OPEB liability on pages 8-12 and 50-52, respectively, 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

INDEPENDENT AUDITORS' REPORT – CONTINUED

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Supplementary Information section (pages 54-59) is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

In connection with our audit of the basic financial statements, our responsibility is to read the other supplementary information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023 (pages 61-62), on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

June 27, 2023

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)**

As management of the City of San Augustine ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fifteen (15) months ended September 30, 2021. We encourage readers to consider the information presented here and the City's financial statements, which follow this section.

CHANGE IN FISCAL YEAR END

At the June 15, 2021 meeting, the City Council voted to change the City's fiscal year end from June 30th to September 30th. The City's last financial audit was for the fiscal year ended June 30, 2020. These financial statements are presented for the fifteen (15) months ended September 30, 2021.

Year to year comparisons are generally included in this section, as well as other supplementary information included in the audit report itself. However, due to the change in fiscal year end, some comparisons with prior year are not meaningful and have not been included.

FINANCIAL HIGHLIGHTS

- The City's overall assets exceeded its total liabilities by \$5,732,735 (*net position*) at September 30, 2021. Of this amount, \$651,186 represents resources that are subject to restrictions as to how they may be used. The remaining balance of \$180,835 (*unrestricted net position*) is available to be used to meet the on-going obligations of citizens and creditors as needed.
- Overall revenues exceeded expenses (or an increase in net position) by \$26,307.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements. The *government-wide financial statements*, which begin on page 15 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. Individual funds are not displayed. However, *governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: *governmental* funds and *proprietary* funds. The basic governmental and proprietary fund financial statements can be found on pages 18-24 of this report.

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)**

Governmental Funds (pages 18-21) are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Proprietary Funds (pages 22-24) are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses a proprietary fund to account for the operations of the water, sewer, gas and garbage collections systems that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE CITY'S NET POSITION

Over time, net position serves as a useful indicator of a government's financial position. At September 30, 2021, the City's assets exceeded its liabilities by \$5,732,735.

The City has a large investment in capital assets and related debt used to acquire those assets that remains outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets, net of related debt, totaled \$4,900,714 at September 30, 2021.

An additional portion of the City's net position, \$651,186, represents resources that are subject to restrictions as to how they may be used. The remaining balance is \$180,835 and unrestricted in nature.

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)**

The City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,103,043	\$ 817,288	\$ 780,181	\$ 802,568	\$ 1,883,224	\$ 1,619,856
Capital assets	1,704,960	1,432,560	4,248,980	4,494,484	5,953,940	5,927,044
Total assets	<u>2,808,003</u>	<u>2,249,848</u>	<u>5,029,161</u>	<u>5,297,052</u>	<u>7,837,164</u>	<u>7,546,900</u>
Total deferred outflows	13,844	263,857	14,726	168,696	28,570	432,553
Long-term liabilities	276,192	1,186,377	10,130	44,482	286,322	1,230,859
Other liabilities	1,285,445	239,500	549,001	449,951	1,834,446	689,451
Total liabilities	<u>1,561,637</u>	<u>1,425,877</u>	<u>559,131</u>	<u>494,433</u>	<u>2,120,768</u>	<u>1,920,310</u>
Total deferred inflows	12,231	314,929	-	201,348	12,231	516,277
Net position						
Invested in capital assets, net of related debt	661,864	246,183	4,238,850	4,450,002	4,900,714	4,696,185
Restricted	651,186	131,749	-	-	651,186	131,749
Unrestricted	(65,071)	394,967	245,906	319,965	180,835	714,932
Total net position	<u>\$ 1,247,979</u>	<u>\$ 772,899</u>	<u>\$ 4,484,756</u>	<u>\$ 4,769,967</u>	<u>\$ 5,732,735</u>	<u>\$ 5,542,866</u>

Changes in Net Position

	Governmental Activities	Business-type Activities	2021 Totals
Revenues			
Charges for services	\$ 261,944	\$ 5,581,622	\$ 5,843,566
Property taxes	419,652	-	419,652
Sales taxes	801,474	-	801,474
Franchise and other fees	61,999	-	61,999
Fines and fees	33,196	-	33,196
Donations and grants	380,953	-	380,953
Miscellaneous income	71,982	38,333	110,315
Total revenues	<u>2,031,200</u>	<u>5,619,955</u>	<u>7,651,155</u>
Expenses			
General government	442,041	-	442,041
Public safety	887,692	-	887,692
Municipal court	68,463	-	68,463
Parks, recreation and culture	282,662	-	282,662
Public works	677,568	-	677,568
Utilities	-	5,253,436	5,253,436
Interest on long-term debt	7,068	5,918	12,986
Total expenses	<u>2,365,494</u>	<u>5,259,354</u>	<u>7,624,848</u>
Transfers			
In (out)	<u>645,812</u>	<u>(645,812)</u>	<u>-</u>
Total transfers	<u>645,812</u>	<u>(645,812)</u>	<u>-</u>
Change in net position	311,518	(285,211)	26,307
Net position, beginning of year	772,899	4,769,967	5,542,866
Prior period adjustment	163,562	-	163,562
Net position, end of year	<u>\$ 1,247,979</u>	<u>\$ 4,484,756</u>	<u>\$ 5,732,735</u>

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental Funds (pages 18-21). The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2021, the City's governmental funds reported a total fund balance of \$636,081. Of this balance, \$651,186 is restricted as to use. The remaining balance, or (\$15,105), is unassigned.

General Fund Budget. A comparison of the general fund budget and actual results is presented as required supplementary information on page 48. Total revenues were higher than budgeted amounts by \$673,508. Expenditures were lower than budgeted amounts by \$73,895. Actual transfers from the System fund were \$452,749 less than budgeted. An overall decrease in fund balance of \$261,597 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$33,056.

Debt Service Fund Budget. A comparison of the debt service fund budget and actual results is presented as required supplementary information on page 49. Debt service expenditures were greater than the budgeted amount by \$1,336. An overall decrease in fund balance of \$40,617 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$37,336.

Proprietary Fund (pages 21-24). Net position at the September 30, 2021 was \$4,484,756 in the System fund. The overall net position of the fund decreased by \$285,211.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2021, totaled \$5,953,940 (net of accumulated depreciation). This investment in capital assets includes land and other capital assets such as buildings, improvements, and equipment.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 453,753	\$ 453,753	\$ 12,522	\$ 12,522	\$ 466,275	\$ 466,275
Buildings and improv	992,067	1,061,100	-	-	992,067	1,061,100
Machinery and equipment	85,676	81,268	-	-	85,676	81,268
Plant and equipment	-	-	135,833	235,619	135,833	235,619
Distribution systems	-	-	418,778	411,967	418,778	411,967
Wells and tanks	-	-	1,378,625	1,427,469	1,378,625	1,427,469
Lake and treatment plant	-	-	430,308	447,960	430,308	447,960
Sewage treatment plant	-	-	1,872,914	1,958,946	1,872,914	1,958,946
Construction in progress	173,464	-	-	-	173,464	-
Total net assets	<u>\$ 1,704,960</u>	<u>\$ 1,596,121</u>	<u>\$ 4,248,980</u>	<u>\$ 4,494,483</u>	<u>\$ 5,953,940</u>	<u>\$ 6,090,604</u>

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)**

DEBT ADMINISTRATION

As of September 30, 2021, the City had \$1,053,226 of outstanding long-term debt. Overall long-term debt was reduced by \$177,633. No additional long-term debt was incurred during the audit period.

Long-term Debt Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Bonds payable	\$ 1,040,000	\$ 1,170,000	\$ -	\$ -	\$ 1,040,000	\$ 1,170,000
Notes payable	3,096	16,377	10,130	44,482	13,226	60,859
Subtotal	<u>\$ 1,043,096</u>	<u>\$ 1,186,377</u>	<u>\$ 10,130</u>	<u>\$ 44,482</u>	<u>\$ 1,053,226</u>	<u>\$ 1,230,859</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fiscal year 2022 budget for the City was approved and adopted by the Council in August 2021. The budget was kept at levels comparable with the current year. A tax rate of \$0.562375 per \$100 of assessed valuation was adopted. Taxes levied are allocated completely to maintenance and operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City office at 301 S Harrison Street, San Augustine, Texas 75972.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,325	\$ 247,938	\$ 291,263
Certificates of deposit	6,777	-	6,777
Receivables			
Property taxes, net of allowance	201,451	-	201,451
Sales taxes	80,616	-	80,616
Municipal court, net of allowance	-	-	-
Customer accounts, net of allowance	34,366	617,565	651,931
Internal balances	85,322	(85,322)	-
Restricted assets			
Cash and cash equivalents	651,186	-	651,186
Capital assets, net of accumulated depreciation	<u>1,704,960</u>	<u>4,248,980</u>	<u>5,953,940</u>
TOTAL ASSETS	<u>2,808,003</u>	<u>5,029,161</u>	<u>7,837,164</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to OPEB	13,844	11,188	25,032
Deferred outflow related to TMRS	<u>82,309</u>	<u>3,538</u>	<u>85,847</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>96,153</u>	<u>14,726</u>	<u>110,879</u>
LIABILITIES			
Accounts payable	7,298	54,545	61,843
Accrued expenses	27,200	22,590	49,790
Accrued compensated absences	133,840	106,923	240,763
Unearned revenue - grant proceeds	233,910	-	233,910
Due to depositors	-	279,654	279,654
Noncurrent liabilities:			
Total OPEB liability	78,875	53,780	132,655
Net pension liability	37,418	31,509	68,927
Due within one year	138,096	10,130	148,226
Due in more than one year	<u>905,000</u>	<u>-</u>	<u>905,000</u>
TOTAL LIABILITIES	<u>1,561,637</u>	<u>559,131</u>	<u>2,120,768</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to OPEB	-	-	-
Deferred inflow related to TMRS	<u>94,540</u>	<u>-</u>	<u>94,540</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>94,540</u>	<u>-</u>	<u>94,540</u>
NET POSITION			
Invested in capital assets, net of related debt	661,864	4,238,850	4,900,714
Restricted for:			
Debt service	153,302	-	153,302
Grants	451,521	-	451,521
Capital projects	46,363	-	46,363
Unrestricted	<u>(65,071)</u>	<u>245,906</u>	<u>180,835</u>
TOTAL NET POSITION	<u>\$ 1,247,979</u>	<u>\$ 4,484,756</u>	<u>\$ 5,732,735</u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,325	\$ 247,938	\$ 291,263
Certificates of deposit	6,777	-	6,777
Receivables			
Property taxes, net of allowance	201,451	-	201,451
Sales taxes	80,616	-	80,616
Municipal court, net of allowance	-	-	-
Customer accounts, net of allowance	34,366	617,565	651,931
Internal balances	85,322	(85,322)	-
Restricted assets			
Cash and cash equivalents	651,186	-	651,186
Capital assets, net of accumulated depreciation	<u>1,704,960</u>	<u>4,248,980</u>	<u>5,953,940</u>
TOTAL ASSETS	<u>2,808,003</u>	<u>5,029,161</u>	<u>7,837,164</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to OPEB	13,844	11,188	25,032
Deferred outflow related to TMRS	<u>82,309</u>	<u>3,538</u>	<u>85,847</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>96,153</u>	<u>14,726</u>	<u>110,879</u>
LIABILITIES			
Accounts payable	7,298	54,545	61,843
Accrued expenses	27,200	22,590	49,790
Accrued compensated absences	133,840	106,923	240,763
Unearned revenue - grant proceeds	233,910	-	233,910
Due to depositors	-	279,654	279,654
Noncurrent liabilities:			
Total OPEB liability	37,418	53,780	91,198
Net pension liability	78,875	31,509	110,384
Due within one year	138,096	10,130	148,226
Due in more than one year	<u>905,000</u>	<u>-</u>	<u>905,000</u>
TOTAL LIABILITIES	<u>1,561,637</u>	<u>559,131</u>	<u>2,120,768</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to OPEB	-	-	-
Deferred inflow related to TMRS	<u>94,540</u>	<u>-</u>	<u>94,540</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>94,540</u>	<u>-</u>	<u>94,540</u>
NET POSITION			
Invested in capital assets, net of related debt	661,864	4,238,850	4,900,714
Restricted for:			
Debt service	153,302	-	153,302
Grants	451,521	-	451,521
Capital projects	46,363	-	46,363
Unrestricted	<u>(65,071)</u>	<u>245,906</u>	<u>180,835</u>
TOTAL NET POSITION	<u>\$ 1,247,979</u>	<u>\$ 4,484,756</u>	<u>\$ 5,732,735</u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
General government	\$ 442,041	\$ -	\$ -	\$ -	\$ (442,041)	\$ -	\$ (442,041)
Public safety	887,692	-	-	133,900	(753,792)	-	(753,792)
Municipal court	68,463	33,196	-	-	(35,267)	-	(35,267)
Parks, recreation and culture	282,662	-	40,580	140,717	(101,365)	-	(101,365)
Public works	677,568	261,944	-	65,756	(349,868)	-	(349,868)
Interest on long-term debt	7,068	-	-	-	(7,068)	-	(7,068)
Total governmental activities	<u>2,365,494</u>	<u>295,140</u>	<u>40,580</u>	<u>340,373</u>	<u>(1,689,401)</u>	<u>-</u>	<u>(1,689,401)</u>
Business-type activities							
Utilities	5,253,436	5,581,622	-	-	-	328,186	328,186
Interest on long-term debt	5,918	-	-	-	-	(5,918)	(5,918)
Total business-type activities	<u>5,259,354</u>	<u>5,581,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,268</u>	<u>322,268</u>
Total primary government	<u>\$ 7,624,848</u>	<u>\$ 5,876,762</u>	<u>\$ 40,580.00</u>	<u>\$ 340,373</u>	<u>(1,689,401)</u>	<u>322,268</u>	<u>(1,367,133)</u>

General revenues		
Property taxes	419,652	419,652
Franchise and other taxes	61,999	61,999
Sales taxes	801,474	801,474
Miscellaneous income	71,982	110,315
Transfers in (out)	645,812	-
Total general revenues and transfers	<u>2,000,919</u>	<u>1,393,440</u>
Change in net position	311,518	26,307
Net position - beginning	772,899	5,542,866
Prior period adjustment	163,562	163,562
Net position - ending	<u>\$ 1,247,979</u>	<u>\$ 5,732,735</u>

See accompanying Notes to the Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF SAN AUGUSTINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 43,325	\$ -	\$ -	\$ 43,325
Certificates of deposit	6,777	-	-	6,777
Receivables				
Property taxes, net of allowance	201,451	-	-	201,451
Sales taxes	80,616	-	-	80,616
Municipal court, net of allowance	-	-	-	-
Customer accounts, net of allowance	34,366	-	-	34,366
Due from other funds	85,322	-	-	85,322
Restricted assets				
Cash and cash equivalents	<u>482,101</u>	<u>153,302</u>	<u>15,783</u>	<u>651,186</u>
TOTAL ASSETS	<u>\$ 933,958</u>	<u>\$ 153,302</u>	<u>\$ 15,783</u>	<u>\$ 1,103,043</u>
LIABILITIES				
Accounts payable	\$ 7,298	\$ -	\$ -	\$ 7,298
Accrued expenses	27,200	-	-	27,200
Unearned revenue - grant proceeds	<u>233,910</u>	<u>-</u>	<u>-</u>	<u>233,910</u>
Total liabilities	<u>268,408</u>	<u>-</u>	<u>-</u>	<u>268,408</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>198,554</u>	<u>-</u>	<u>-</u>	<u>198,554</u>
Total deferred inflows of resources	<u>198,554</u>	<u>-</u>	<u>-</u>	<u>198,554</u>
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted for:				
Debt service	-	153,302	-	153,302
Grants	451,521	-	-	451,521
Capital projects	30,580	-	15,783	46,363
Unassigned	<u>(15,105)</u>	<u>-</u>	<u>-</u>	<u>(15,105)</u>
Total fund balances	<u>466,996</u>	<u>153,302</u>	<u>15,783</u>	<u>636,081</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 933,958</u>	<u>\$ 153,302</u>	<u>\$ 15,783</u>	<u>\$ 1,103,043</u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total fund balance - governmental fund balance sheet	\$	636,081
Amounts reported for governmental activities in the government-wide statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		1,704,960
Payables for accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds.		(133,840)
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore, are not reported in the governmental funds.		(1,043,096)
Total OPEB liabilities are not due in the current period and therefore, are not reported in the governmental funds.		(37,418)
Net pension liabilities (assets) are not due in the current period or do not provide current financial resources and therefore, are not reported in the governmental funds.		(78,875)
Certain deferred revenues are not available to pay current period expenditures and therefore, are deferred in the governmental funds.		198,554
Deferred pension plan and OPEB amounts relate to subsequent pension plan measurement periods and/or do not consume current financial resources and therefore, these amounts are not reported in the governmental funds.		<u>1,613</u>
Net position of governmental activities	\$	<u><u>1,247,979</u></u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 455,704	\$ -	\$ -	\$ 455,704
Sales taxes	801,474	-	-	801,474
Franchise and other taxes	61,999	-	-	61,999
Garbage collection	261,944	-	-	261,944
Fines and fees	33,196	-	-	33,196
Donations and grants	380,953	-	-	380,953
Miscellaneous income	71,982	-	-	71,982
Total revenues	<u>2,067,252</u>	<u>-</u>	<u>-</u>	<u>2,067,252</u>
EXPENDITURES				
General government				
City council	34,478	-	-	34,478
Administration	371,043	-	-	371,043
Tourism center	15,258	-	-	15,258
Miscellaneous	19,137	-	-	19,137
Public safety				
Fire department	112,664	-	-	112,664
Police department	751,107	-	-	751,107
Municipal court				
Municipal court	53,490	-	-	53,490
Municipal building	14,973	-	-	14,973
Public works				
Streets	391,279	-	-	391,279
Sanitation	208,988	-	-	208,988
Parks, recreation and culture				
Library	172,900	-	-	172,900
Multi-purpose center	7,931	-	-	7,931
El Camino travel center	50	-	-	50
Main Street project	92,305	-	-	92,305
RV park	65	-	-	65
Park maintenance	9,016	-	-	9,016
Capital outlay	64,176	-	-	64,176
Capital grant expenditures	173,464	-	-	173,464
Debt service				
Principal	13,281	130,000	-	13,281
Interest	1,903	5,164	-	1,903
Total expenditures	<u>2,507,508</u>	<u>135,164</u>	<u>-</u>	<u>2,642,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(440,256)</u>	<u>(135,164)</u>	<u>-</u>	<u>(575,420)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	622,901	172,500	-	795,401
Transfers (out)	(149,589)	-	-	(149,589)
Net other financing sources (uses)	<u>473,312</u>	<u>172,500</u>	<u>-</u>	<u>645,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	33,056	37,336	-	70,392
FUND BALANCE - BEGINNING OF YEAR	<u>433,940</u>	<u>115,966</u>	<u>15,783</u>	<u>565,689</u>
FUND BALANCE - END OF YEAR	<u>\$ 466,996</u>	<u>\$ 153,302</u>	<u>\$ 15,783</u>	<u>\$ 636,081</u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Net change in fund balance - general fund	\$	70,392
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(36,052)
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		108,838
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.		143,281
This amount represents the change in net pension activity and total OPEB liabilities from the beginning of the period to the end of the period.		48,212
This amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		<u>(23,153)</u>
Change in net position of governmental activities	\$	<u><u>311,518</u></u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021

	<u>Proprietary Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 247,938
Receivables, net of allowance for uncollectibles	<u>617,565</u>
Total current assets	<u>865,503</u>
Capital assets, net of accumulated depreciation	<u>4,248,980</u>
TOTAL ASSETS	<u>5,114,483</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to OPEB	11,188
Deferred outflow related to TMRS	<u>3,538</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,726</u>
LIABILITIES	
Current liabilities	
Accounts payable	54,545
Accrued expenses	22,590
Accrued compensated absences	106,923
Due to depositors	279,654
Due to other funds	85,322
Long-term debt - current maturities	<u>10,130</u>
Total current liabilities	<u>559,164</u>
Noncurrent liabilities	
Total OPEB liability	53,780
Net pension liability	31,509
Long-term debt	<u>-</u>
Total noncurrent liabilities	<u>85,289</u>
TOTAL LIABILITIES	<u>644,453</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to OPEB	-
Deferred inflow related to TMRS	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Invested in capital assets, net of related debt	4,238,850
Restricted for:	
Deposits held as collateral by others	279,654
Unrestricted	<u>(33,748)</u>
TOTAL NET POSITION	<u>\$ 4,484,756</u>

See accompanying Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Charges for services	\$ 5,581,622
Miscellaneous other	<u>38,333</u>
Total operating revenues	<u>5,619,955</u>
OPERATING EXPENSES	
Administration	402,714
Water treatment and production	1,016,602
Water distribution	285,182
Sewer collection	150,560
Sewer treatment	278,206
Electric department	2,787,735
Depreciation expense	<u>332,437</u>
Total operating expenses	<u>5,253,436</u>
INCOME (LOSS) FROM OPERATIONS	366,519
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>(5,918)</u>
Total nonoperating revenues (expenses)	<u>(5,918)</u>
INCOME (LOSS) BEFORE TRANSFERS	360,601
Transfers in (out)	<u>(645,812)</u>
CHANGE IN NET POSITION	(285,211)
NET POSITION - BEGINNING OF YEAR	<u>4,769,967</u>
NET POSITION - END OF YEAR	<u>\$ 4,484,756</u>

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the City of San Augustine, Texas (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“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. The more significant accounting and reporting policies used by the City are discussed below.

Change in Fiscal Year End

At the June 15, 2021 meeting, the City Council voted to change the City’s fiscal year end from June 30th to September 30th. The City’s last financial audit was for the fiscal year ended June 30, 2020. These financial statements are presented for the fifteen (15) months ended September 30, 2021.

Reporting Entity

The City of San Augustine was incorporated in 1917 under the provisions of the State of Texas. The City is a Texas Municipal Corporation with a six-member City Council, comprised of a Mayor and five council members, all of whom are elected at-large.

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, these financial statements should present the City (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. The City does not have any blended or discretely presented component units.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information on all of the activities of the City as a whole. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

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

Separate financial statements are provided for governmental and proprietary (or “enterprise”) funds. Major individual governmental and major individual enterprise funds are reported in separate columns in the fund financial statements.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City’s financial disclosures were not affected by implementation.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* (“GASB 90”), is intended to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City’s financial disclosures were not affected by implementation.

Effective date postponed by one year due to COVID-19 pandemic in accordance with GASB No. 95 (original effective dates listed):

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), is intended to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. Early implementation of GASB 89 is reflected in the City’s financial disclosures.

GASB Statement No. 91, *Conduit Debt Obligations* (“GASB 91”), is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in certain practices. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020. The effects of implementing GASB 91 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 92, *Omnibus 2020* (“GASB 92”), is intended to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2020. The effects of implementing GASB 92 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (“GASB 93”), is primarily intended to address the accounting and financial reporting implications resulting from the replacement of an interbank offered rate. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2020. The effects of implementing GASB 93 on the City’s financial disclosures have not been evaluated by management.

Effective date postponed by 18 months due to COVID-19 pandemic in accordance with GASB No. 95 (original effective date listed):

GASB Statement No. 87, *Leases* (“GASB 87”), is intended to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

effects of implementing GASB 87 on the City's financial disclosures have not been evaluated by management.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94"), is intended to enhance comparability in accounting and financial reporting and to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. The effects of implementing GASB 94 on the City's financial disclosures have not been evaluated by management.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"), is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. The effects of implementing GASB 96 on the City's financial disclosures have not been evaluated by management.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* ("GASB 97"), is intended to increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated with the reporting of certain pension plans, and enhance the relevance, consistency, and comparability of the accounting and financial reporting of Section 457 plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The effects of implementing GASB 97 on the City's financial disclosures have not been evaluated by management.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

Major governmental fund revenue sources susceptible to accrual include sales and use taxes, property taxes, franchise taxes, and investment income. In general, all other revenue items are considered to be measurable and available only when cash is received. Expenditure driven grants are recognized as revenue when the qualifying expenditures are incurred and all other grant requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses in the financial statements.

The City's funds are classified as either governmental or proprietary and are described below.

Governmental Funds. Governmental funds are used to account for all or most of a government's general activity.

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *debt service fund* is used to account for and report financial resources that are restricted, committed or assigned for principal and interest on long-term debt obligations.

Proprietary Funds. Proprietary funds are used to account for the City's business-type activities.

The *system fund* is used to account for operations of the utility systems that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The general fund, debt service fund, and system fund are the City's major funds. Management has elected to report the capital projects funds as a major fund, as well.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the City's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

All expenses incurred by the City are segregated and accounted for in the fund to which they apply. Certain general and administrative expenses may be allocated to the proprietary fund and to the governmental fund based on the level of services rendered through each fund as estimated by management.

Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and certificates of deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less and are stated at fair value.

Certificates of deposits consist of deposits with original maturities greater than three months. Certificates

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

of deposit are recorded at cost, which approximates market value at September 30, 2021.

The City is required by the Public Funds Collateral Act (Government Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation (“FDIC”).

The City is required by the Public Funds Investment Act (Government Code, chapter 2256) (the “Act”) to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups and bid requirements for certificates of deposit.

The City is authorized to invest in financial instruments, as authorized by the Act, including:

- U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America;
- obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent;
- fully insured or collateralized certificates of deposit at commercial banks;
- repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement;
- joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than “AAA” or “AAA-m” by at least one nationally recognized rating service).

Investment policy

The City does not have a written investment policy but complies with guidelines as noted above. The City’s only investment at September 30, 2021 was a certificate of deposit of \$6,777.

Fair Value of Financial Instruments

The City evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

Restricted Assets

Certain assets are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements, laws or regulations, and/or other contractual agreements.

Receivables

All customer and property tax receivables are shown net of an allowance for uncollectibles. An estimated 30% allowance for all customer utility accounts is provided. The property tax receivable allowance is

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

calculated at 10% of all delinquent tax receivable balances.

Property taxes are levied by October 1 and are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. The City has entered into a contract with the San Augustine County Tax Assessor-Collector for the billing and collection of City property taxes.

Capital Assets, Depreciation, and Amortization

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair market value at the time of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method. Estimated useful lives are between 5 and 40 years, depending on the asset. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Deferred Inflows/Outflows of Resources

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two types of items, which arise only under a full accrual basis of accounting, that qualify for reporting in this category. The amounts, relating to other postemployment benefits and the City's pension plan, are described more fully later in these notes. These items are reported on the proprietary fund balance sheet and the government-wide statement of net position.

Deferred Inflows of Resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category. The amount, relating to the City's pension plan, is described more fully later in these notes. This item is reported on the proprietary fund balance sheet and the government-wide statement of net position. The City has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category: Unavailable revenue – property taxes is reported only on the governmental funds balance sheet and is deferred and recognized as an inflow in the period that the amount becomes available.

Compensated Absences

Unused vacation and sick leave, as well as compensatory time under certain circumstances, are allowed to accumulate and are paid upon the employee's termination. Accordingly, liabilities for these obligations have been recorded in the financial statements. Balances at September 30, 2021 and June 30, 2020 and changes during the 15 month period are shown below:

CITY OF SAN AUGUSTINE, TEXAS
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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance at September 30, 2021	\$ 133,840	\$ 106,923	\$ 240,763
Balance at July 1, 2020	<u>110,687</u>	<u>98,294</u>	<u>208,981</u>
Increase (decrease) in liability	<u>\$ 23,153</u>	<u>\$ 8,629</u>	<u>\$ 31,782</u>

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other noncurrent obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures as incurred.

In 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 in the year incurred.

Pensions

For purposes of measuring the net pension liability/net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (“TMRS”) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported 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. Investments are reported at fair value.

Other Post-Employment Benefits

The Texas Municipal Retirement System (“TMRS”) Supplemental Death Benefit Fund (“SDBF”) reports the resources available to pay supplemental death claims for covered participants. Member cities may elect, by ordinance, to provide a Supplemental Death Benefit for their active members, including or not including retirees. The SDBF is a separate trust administered by the TMRS Board of Trustees. The TMRS Act required the Pension Trust Fund to allocate 5% interest credit to the SDBF each December 31 based on the balance in the SDBF during the year. Death benefit payments are payable only from this fund and are not an obligation of, or a claim against, the other funds of TMRS.

Net Position and Fund Balances

In the government-wide financial statements, the difference between the City’s total assets and total liabilities represents net position. Net position is displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2021, restricted net position represents funds that are restricted for grant -related purposes. Unrestricted net position represents the net assets available for future operations.

In the governmental fund financial statements, fund balances are classified as follows:

CITY OF SAN AUGUSTINE, TEXAS
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Non-spendable – amounts that cannot be spent either because they are in non-spendable form (such as prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Council – the government’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

Proprietary fund net position is classified the same as in government-wide statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process

Prior to the beginning of the fiscal year and in accordance with its legal requirements, the City prepares and adopts an annual budget for each of the City’s funds. The budget is amended during the year, if necessary, through the passage of ordinances. All appropriations lapse at the end of each fiscal year.

The legal level of budgetary control is the department level. Therefore, expenditures may not legally exceed budget appropriations at the department level.

At the June 15, 2021 meeting, the City Council voted to change the City’s fiscal year end from June 30th to September 30th. At that time, the Council voted to adopt an extended budget for July 1, 2021 to September 30, 2021 equal to one-fourth of the original FY2021 budget.

The new fiscal year 2022 (October 1, 2021 to September 30, 2022) budget was adopted by the Council on August 17, 2021.

CITY OF SAN AUGUSTINE, TEXAS
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SEPTEMBER 30, 2021

DETAILED NOTES ON ALL FUNDS

ASSETS

Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned.

As of September 30, 2021, the City’s cash deposits with depository banks totaled \$1,033,348. Included in the balances are certificates of deposit totaling \$6,777. In addition to FDIC coverage, deposits were collateralized by securities pledged by the depository banks with total collateral value of \$2,024,880. At September 30, 2021, all deposits were fully insured by FDIC coverage and/or pledged securities.

Restricted Assets

Restrictions on cash and cash equivalents and certificates of deposit at September 30, 2021 are as follows:

	Governmental Activities	Business-type Activities	Totals
Restricted for:			
Debt service	\$ 153,302	\$ -	\$ 153,302
Various grants	451,521	-	451,521
Capital projects	46,363	-	46,363
Totals	\$ 651,186	\$ -	\$ 651,186

Receivables

Receivable and Uncollectible Accounts. The City’s receivables at year end, including the related allowances for uncollectible accounts, are as follows:

	Governmental		Business-type		
	Gross Receivable	Allowance	Gross Receivable	Allowance	Net Totals
Property taxes	\$ 223,835	\$ (22,384)	-	\$ -	\$ 201,451
Sales taxes	80,616	-	-	-	80,616
Municipal court	567,051	(567,051)	-	-	-
Customer accounts	47,885	(13,519)	875,283	(257,718)	651,931
Totals	\$ 919,387	\$ (602,954)	\$ 875,283	\$ (257,718)	\$ 933,998

Property Taxes. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The tax rate for the year ended September 30, 2021, was \$0.600305 per \$100 of assessed valuation. The full tax is allocated to maintenance and operation.

Interfund transactions

Internal Balances. Interfund receivable and payable balances are generally the result of monies deposited into/expended from one fund that should have been deposited into/expended from another fund and needs to be reimbursed. At September 30, 2021, these internal balances consisted of the following:

CITY OF SAN AUGUSTINE, TEXAS
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	<u>Receivable</u>	<u>Payable</u>
<i>Governmental activities</i>		
General fund	\$ <u>85,322</u>	\$ <u>-</u>
<i>Business-type activities</i>		
System fund	\$ <u>-</u>	\$ <u>(85,322)</u>

Interfund Transfers. Interfund transfers and payments in lieu of taxes are the result of monies transferred from one fund to another with no anticipation of repayment. During the audit period, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Totals</u>
<i>Governmental activities</i>			
General fund	\$ 622,901	\$ (149,589)	\$ 473,312
Debt service fund	<u>172,500</u>	<u>-</u>	<u>172,500</u>
Totals	<u>\$ 795,401</u>	<u>\$ (149,589)</u>	<u>\$ 645,812</u>
<i>Business-type activities</i>			
System fund	<u>\$ 149,589</u>	<u>\$ (795,401)</u>	<u>\$ (645,812)</u>

Capital Assets

A summary of changes in capital assets for the fifteen months ended September 30, 2021, is as follows:

Governmental activities

	<u>Restated Balance 06/30/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 09/30/21</u>
Capital assets, not being depreciated				
Land	\$ 453,753	\$ -	\$ -	\$ 453,753
Construction in progress	<u>-</u>	<u>173,464</u>	<u>-</u>	<u>173,464</u>
Total not being depreciated	<u>453,753</u>	<u>173,464</u>	<u>-</u>	<u>627,217</u>
Capital assets, being depreciated				
Buildings and improvements	3,195,659	8,277	-	3,203,936
Machinery and equipment	<u>1,567,142</u>	<u>55,899</u>	<u>-</u>	<u>1,623,041</u>
Total being depreciated	<u>4,762,801</u>	<u>64,176</u>	<u>-</u>	<u>4,826,977</u>
Less accumulated depreciation:				
Buildings and improvements	(2,134,559)	(77,310)	-	(2,211,869)
Machinery and equipment	<u>(1,485,874)</u>	<u>(51,491)</u>	<u>-</u>	<u>(1,537,365)</u>
Total accumulated depreciation	<u>(3,620,433)</u>	<u>(128,801)</u>	<u>-</u>	<u>(3,749,234)</u>
Total being depreciated, net	<u>1,142,368</u>	<u>(64,625)</u>	<u>-</u>	<u>1,077,743</u>
Total capital assets, net	<u>\$ 1,596,121</u>	<u>\$ 108,839</u>	<u>\$ -</u>	<u>\$ 1,704,960</u>
Less associated debt				<u>(1,043,096)</u>
Invested in capital assets, net of related debt				<u>\$ 661,864</u>

The depreciation schedule provided by the prior auditor did not agree with the general ledger balances for accumulated depreciation for governmental activities at June 30, 2020. The amounts for each asset

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

were recalculated based on the asset cost, the purchase date, and useful lives that had been assigned. As a result of the recalculation, a prior period adjustment of \$163,652 was recorded to the governmental activities net position. The entry decreased the recorded accumulated depreciation amounts (increasing the overall carrying value of the capital assets) and increased net position for this amount. The balances in the June 30, 2020 column as shown above have been restated.

Depreciation expense for the fifteen month audit period was charged to the following functions/programs of governmental activities as follows:

General government	\$ 7,292
Public safety	34,345
Public works	79,094
Parks, recreation and culture	<u>8,070</u>
Total	<u>\$ 128,801</u>

Business-type activities

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09/30/21</u>
Capital assets, not being depreciated				
Land	\$ 12,522	\$ -	\$ -	\$ 12,522
Total not being depreciated	<u>12,522</u>	<u>-</u>	<u>-</u>	<u>12,522</u>
Capital assets, being depreciated				
Plant and equipment	1,889,651	15,486	-	1,905,137
Distribution systems	4,037,796	61,803	-	4,099,599
Wells and tanks	1,804,016	-	-	1,804,016
Lake and treatment plant	1,881,132	-	-	1,881,132
Sewage treatment plant	<u>3,288,573</u>	<u>9,645</u>	<u>-</u>	<u>3,298,218</u>
Total being depreciated	<u>12,901,168</u>	<u>86,934</u>	<u>-</u>	<u>12,988,102</u>
Less accumulated depreciation:				
Plant and equipment	(1,654,032)	(115,272)	-	(1,769,304)
Distribution systems	(3,625,829)	(54,992)	-	(3,680,821)
Wells and tanks	(376,547)	(48,844)	-	(425,391)
Lake and treatment plant	(1,433,172)	(17,652)	-	(1,450,824)
Sewage treatment plant	<u>(1,329,627)</u>	<u>(95,677)</u>	<u>-</u>	<u>(1,425,304)</u>
Total accumulated depreciation	<u>(8,419,207)</u>	<u>(332,437)</u>	<u>-</u>	<u>(8,751,644)</u>
Total being depreciated, net	<u>4,481,961</u>	<u>(245,503)</u>	<u>-</u>	<u>4,236,458</u>
Total capital assets, net	<u>\$ 4,494,483</u>	<u>\$ (245,503)</u>	<u>\$ -</u>	<u>\$ 4,248,980</u>
				<u>(10,130)</u>
				<u>\$ 4,238,850</u>

Depreciation expense for the fifteen month audit period of \$332,437 was charged to the proprietary fund.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

LIABILITIES

Long-term Debt

Long-term debt activity for the fifteen months ended September 30, 2021 was as follows:

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/21</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental activities</i>					
General fund:					
N/P - CBTx	\$ 16,377	\$ -	\$ (13,281)	\$ 3,096	\$ 3,096
Debt service fund:					
Series 2010 C/O's	1,005,000	-	(50,000)	955,000	50,000
Series 2011 C/O's	<u>165,000</u>	<u>-</u>	<u>(80,000)</u>	<u>85,000</u>	<u>85,000</u>
Total	<u>\$ 1,186,377</u>	<u>\$ -</u>	<u>\$ (143,281)</u>	<u>\$ 1,043,096</u>	<u>\$ 138,096</u>
<i>Business-type activities</i>					
N/P - CBTx	<u>44,482</u>	<u>-</u>	<u>(34,352)</u>	<u>10,130</u>	<u>10,130</u>
Total	<u>\$ 44,482</u>	<u>\$ -</u>	<u>\$ (34,352)</u>	<u>\$ 10,130</u>	<u>\$ 10,130</u>

Interest expense for the fifteen months ended September 30, 2021 was as follows:

Governmental activities	\$ 5,274
Business-type activities	<u>3,975</u>
Totals	<u>\$ 9,249</u>

The annual debt service requirements to maturity for all long-term debt are as follows:

Governmental activities

<u>Year Ending September 30,</u>	<u>Certificates of Obligation</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 135,000	\$ 1,972	\$ 3,096	\$ 17
2023	50,000	-	-	-
2024	50,000	-	-	-
2025	50,000	-	-	-
2026	50,000	-	-	-
2027-2031	250,000	-	-	-
2032-2036	250,000	-	-	-
2037-2040	<u>205,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,040,000</u>	<u>\$ 1,972</u>	<u>\$ 3,096</u>	<u>\$ 17</u>

At September 30, 2021, the City had \$153,302 available in the debt service fund for payments required in fiscal year 2022.

Business-type activities

<u>Year Ending September 30,</u>	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	<u>\$ 10,130</u>	<u>\$ 90</u>

CITY OF SAN AUGUSTINE, TEXAS
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Bonds and other debt payable at September 30, 2021, are comprised of the following:

Certificates of Obligation, Series 2010. During 2010, the City approved the issuance of \$1,050,000 in tax and revenue bonds. The bonds carry an interest rate of 0.00% and mature in February 2040. The balance due on these bonds at September 30, 2021 was \$85,000.

General Obligation Refunding Bonds, Series 2011. In November 2011, the City approved the issuance of \$500,000 in tax and subordinate revenue bonds. The bonds carry an interest rate of 2.32% and matured in June 2022. The balance due on these bonds at September 30, 2021 was \$955,000.

Notes payable – Commercial Bank of Texas. Promissory note dated July 22, 2019 in the amount of \$24,169, payable in 36 monthly installments of \$705, including interest of 3.25%, maturing on July 15, 2022. The note is collateralized by the vehicle (Mayor's) it served to finance.

Notes payable – Commercial Bank of Texas. Promissory note dated January 15, 2019 in the amount of \$86,219, payable in 36 monthly installments of \$2,555, including interest of 4.25%, maturing on December 15, 2022. The note is collateralized by the backhoe it served to finance.

Bond compliance. The Series 2010 and Series 2011 bonds are secured by the City's ad valorem taxes and System fund revenues and require annual payments of principal and semi-annual payments of interest at varying amounts. The City does not levy an interest and sinking (I&S) tax for payment of these bonds. Amounts equal to annual debt service requirements are budgeted in the System fund and are transferred to the Debt service to provide for these payments. At September 30, 2021, the Debt service fund had \$153,302 available – an amount sufficient to cover the next year's debt service.

Defined Benefit Pension Plan

Plan Description. The City of San Augustine participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the state of Texas. TMRS issues a publicly available comprehensive annual financial report ("Annual Report") that can be obtained at *tmrs.com*. All eligible employees of the City are required to participate in TMRS.

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

CITY OF SAN AUGUSTINE, TEXAS
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	Plan Year 2020
Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/25
Updated Service Credit (repeating, transfers)	100%
Annuity Increase to retirees (repeating)	70% of CPI

Employees Covered by Benefit Terms. At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	19
Active employees	28
	69

Contributions and Actuarial Information. Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (“EAN”) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of San Augustine were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of San Augustine were 8.19% and 8.73% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the fifteen months ended September 30, 2021 were \$133,829 and were equal to the required contributions.

The City’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2020, and the Total Pension Liability (“TPL”) used to calculate the Net Pension Liability/Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return (net of pension plan investment expense, including inflation)	6.75%

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.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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.

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 real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

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CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Changes in the Net Pension Liability/Asset. A detailed schedule of changes in net pension liability/asset is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 5,725,214	\$ 5,653,823	\$ 71,391
Changes for the year:			
Service cost	176,808	-	176,808
Interest	380,575	-	380,575
Difference between expected and actual experience	53,833	-	53,833
Changes of assumptions	-	-	-
Contributions - employer	-	101,777	(101,777)
Contributions - employee	-	86,008	(86,008)
Net investment income	-	428,780	(428,780)
Benefit payments, incl. employee contrib. refunds	(350,926)	(350,926)	-
Administrative expense	-	(2,777)	2,777
Other charges	-	(108)	108
Net changes	<u>260,290</u>	<u>262,754</u>	<u>(2,464)</u>
Balance at 12/31/2020	<u>\$ 5,985,504</u>	<u>\$ 5,916,577</u>	<u>\$ 68,927</u>

The City has allocated current year activity, except for contributions, on a pro-rata basis between governmental and business-type activities based on current year contributions by activity.

A summary of changes in net pension liability/asset by activity follows.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Beginning balance, 12/31/2019			
Governmental activities	\$ 3,492,420	\$ 3,448,871	\$ 43,549
Business-type activities	<u>2,232,794</u>	<u>2,204,952</u>	<u>27,842</u>
Total balance at 12/31/2019	<u>5,725,214</u>	<u>5,653,823</u>	<u>71,391</u>
Changes for the year, net			
Governmental activities	133,815	139,946	(6,131)
Business-type activities	<u>126,475</u>	<u>122,808</u>	<u>3,667</u>
Total changes for the year, net	<u>260,290</u>	<u>262,754</u>	<u>(2,464)</u>
Ending balance, 12/31/2020			
Governmental activities	3,626,235	3,588,817	37,418
Business-type activities	<u>2,359,269</u>	<u>2,327,760</u>	<u>31,509</u>
Total balance at 12/31/2020	<u>\$ 5,985,504</u>	<u>\$ 5,916,577</u>	<u>\$ 68,927</u>

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability (asset)	\$ 867,407	\$ 68,927	\$ (590,774)

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 and Inflows of Resources Related to Pensions. For the fifteen months ended September 30, 2021, the City recognized net pension (benefit) expense of \$41,019. Net pension (benefit) expense was charged to functions/programs as follows:

<u>Function/program</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General government	\$ 2,935	\$ -	\$ 2,935
Public works	1,393	-	1,393
Public safety	8,933	-	8,933
Parks, recreation, and culture	2,075	-	2,075
System administration	-	6,106	6,106
Water	-	9,429	9,429
Sewer	-	4,690	4,690
Electrical	-	5,530	5,530
Total	<u>\$ 15,336</u>	<u>\$ 25,755</u>	<u>\$ 41,019</u>

At September 30, 2021, the City reported deferred amounts related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Governmental activities</i>		
Differences between expected and actual economic experience	\$ 35,010	\$ -
Difference between projected and actual investment earnings	-	(94,540)
Changes in actuarial assumptions	3,819	-
Contributions subsequent to the measurement date	<u>43,480</u>	<u>-</u>
Totals, governmental activities	<u>82,309</u>	<u>(94,540)</u>
<i>Business-type activities</i>		
Differences between expected and actual economic experience	\$ 29,978	\$ -
Difference between projected and actual investment earnings	-	(66,372)
Changes in actuarial assumptions	2,442	-
Contributions subsequent to the measurement date	<u>39,490</u>	<u>-</u>
Totals, business-type activities	<u>69,910</u>	<u>(66,372)</u>
Totals, all activities	<u>\$ 152,219</u>	<u>\$ (160,912)</u>

**CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

<u>Plan Year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 134,882	\$ (59,798)
2022	17,337	3,435
2023	-	(95,118)
2024	-	(9,431)
2025	-	-
Total	<u>\$ 152,219</u>	<u>\$ (160,912)</u>

Supplemental Death Benefits Fund

Plan Description. The City also participates in the cost sharing multiple-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 City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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.

Benefit Terms. 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 postemployment benefit,” or “OPEB”.

Employees Covered by Benefit Terms. At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	35
Active employees	<u>28</u>
	46

Contributions and Actuarial Information. The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. No assets are accumulated in a trust as defined by paragraph 4 of GASB Statement No. 75.

The total supplemental death benefit (“SDB”) contribution rates were 0.26% and 0.40% in calendar years 2020 and 2021, respectively. The retiree portion of the SDB contribution rates were 0.10% and 0.29% in calendar years 2020 and 2021, respectively. The City’s contributions for the fifteen months ended September 30, 2021 were \$3,377 and were equal to the required contributions.

The City’s Total OPEB Liability (“TOL”) was measured as of December 31, 2020 and calculated based on an actuarial valuation as of that date.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	2.00%

Salary increases were based on a service-related table. Mortality rates for service retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables. Mortality rates for healthy retirees and beneficiaries are based on 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. 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. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013.

Changes in the Total OPEB Liability. The City has allocated the current year activity, except for contributions, on a pro-rata basis between governmental and business-type activities based on current year contributions by activity. A summary of changes in total OPEB liability by activity follows:

	Total OPEB Liability		
	Governmental Activities	Business-type Activities	Total
Balance at 12/31/2019	\$ 68,270	\$ 43,648	\$ 111,918
Changes for the year:			
Service cost	1,516	1,433	2,949
Interest on total OPEB liability	1,594	1,507	3,101
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(349)	(331)	(680)
Changes in assumptions or other inputs	8,532	8,064	16,596
Benefit payments	(688)	(541)	(1,229)
Net changes	10,605	10,132	20,737
Balance at 12/31/2020	\$ 78,875	\$ 53,780	\$ 132,655

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	\$ 160,454	\$ 132,655	\$ 111,245

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB. For the fifteen months ended September 30, 2021, the City recognized total OPEB expense of \$13,863. Total OPEB expense was charged to functions/programs as follows:

<u>Function/program</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General government	\$ 1,443	\$ -	\$ 1,443
Public works	684	-	684
Public safety	4,391	-	4,391
Parks, recreation, and culture	1,020	-	1,020
System administration	-	1,500	1,500
Water	-	2,315	2,315
Sewer	-	1,152	1,152
Electrical	-	1,358	1,358
Total	<u>\$ 7,538</u>	<u>\$ 6,325</u>	<u>\$ 13,863</u>

At September 30, 2021, the City reported deferred amounts related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Governmental activities</i>		
Differences between expected and actual experience	\$ 307	\$ -
Changes in assumptions and other inputs	12,092	-
Contributions subsequent to the measurement date	<u>1,445</u>	<u>-</u>
Totals, governmental activities	<u>13,844</u>	<u>-</u>
<i>Business-type activities</i>		
Differences between expected and actual experience	\$ 113	\$ -
Changes in actuarial assumptions and other inputs	9,763	-
Contributions subsequent to the measurement date	<u>1,312</u>	<u>-</u>
Totals, business-type activities	<u>11,188</u>	<u>-</u>
Totals, all activities	<u>\$ 25,032</u>	<u>\$ -</u>
<u>Plan Year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 10,473	\$ -
2022	6,500	-
2023	6,230	-
2024	1,829	-
2025	-	-
Thereafter	<u>-</u>	<u>-</u>
Total	<u>\$ 25,032</u>	<u>\$ -</u>

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The City provides insurance coverage for each of those risks of loss by participation in the Texas Municipal League Intergovernmental Risk Pool. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

Contingencies and Uncertainties

Grants. All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the granting agency. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Subsequent Events

Management has evaluated subsequent events through June 27, 2023 the date when the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	Original Adopted Budget	Final Appropriated Budget	Actual Amounts	Variances Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 388,000	\$ 388,000	\$ 455,704	\$ 67,704
Sales taxes	475,000	593,750	801,474	207,724
Franchise and other taxes	30,500	30,500	61,999	31,499
Garbage collection	207,000	258,750	261,944	3,194
Fines and fees	46,700	58,373	33,196	(25,177)
Donations and grants	-	-	380,953	380,953
Miscellaneous income	34,371	64,371	71,982	7,611
Total revenues	<u>1,181,571</u>	<u>1,393,744</u>	<u>2,067,252</u>	<u>673,508</u>
EXPENDITURES				
General government				
City council	49,950	62,437	34,478	27,959
Administration	295,396	369,245	371,043	(1,798)
Tourism center	17,710	22,138	15,258	6,880
Miscellaneous	-	-	19,137	(19,137)
Public safety				
Fire department	99,550	124,437	112,664	11,773
Police department	715,694	894,618	751,107	143,511
Municipal court				
Municipal court	64,415	80,519	53,490	27,029
Municipal building	19,576	24,470	14,973	9,497
Public works				
Streets	314,489	393,111	391,279	1,832
Sanitation	160,699	200,874	208,988	(8,114)
Parks, recreation and culture				
Library	175,012	218,765	172,900	45,865
Multi-purpose center	11,472	14,340	7,931	6,409
El Camino travel center	-	-	50	(50)
Main Street project	110,459	138,074	92,305	45,769
RV park	-	-	65	(65)
Park maintenance	30,700	38,375	9,016	29,359
Debt service				
Principal	-	-	13,281	(13,281)
Interest	-	-	1,903	(1,903)
Total expenditures	<u>2,065,122</u>	<u>2,581,403</u>	<u>2,507,508</u>	<u>73,895</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(883,551)</u>	<u>(1,187,659)</u>	<u>(440,256)</u>	<u>747,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers from System fund	740,849	926,061	473,312	(452,749)
Net other financing sources (uses)	<u>740,849</u>	<u>926,061</u>	<u>473,312</u>	<u>(452,749)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)				
	(142,702)	(261,597)	33,056	294,654
FUND BALANCE - BEGINNING OF YEAR				
	<u>433,940</u>	<u>433,940</u>	<u>433,940</u>	<u>-</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 291,238</u>	<u>\$ 172,343</u>	<u>\$ 466,996</u>	<u>\$ 294,654</u>

Original budget was for 12 months ended June 30, 2021. Final appropriated budget included the additional three months from July 2021 to September 2021 after the Council's vote to change the City's fiscal year end.

See Independent Auditors' Report and Notes to the Financial Statements.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	Original Adopted Budget	Final Appropriated Budget	Actual Amounts	Variances Favorable (Unfavorable)
EXPENDITURES				
Debt service	133,828	133,828	135,164	(1,336)
Total expenditures	<u>133,828</u>	<u>133,828</u>	<u>135,164</u>	<u>(1,336)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(133,828)	(133,828)	(135,164)	(1,336)
OTHER FINANCING SOURCES (USES)				
Excess of revenue transferred to System fund	(79,289)	(79,289)	-	79,289
Transfer from System fund	<u>138,000</u>	<u>172,500</u>	<u>172,500</u>	<u>-</u>
Net other financing sources (uses)	<u>58,711</u>	<u>93,211</u>	<u>172,500</u>	<u>79,289</u>
EXCESS (DEFICIENCY) OF REVENUES OVER				
EXPENDITURES AND OTHER SOURCES (USES)	(75,117)	(40,617)	37,336	77,953
FUND BALANCE - BEGINNING OF YEAR	<u>153,302</u>	<u>153,302</u>	<u>153,302</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 78,185</u>	<u>\$ 112,685</u>	<u>\$ 190,638</u>	<u>\$ 77,953</u>

Original budget was for 12 months ended June 30, 2021. Final appropriated budget included the additional three months from July 2021 to September 2021 after the Council's vote to change the City's fiscal year end.

See Independent Auditors' Report.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS - LAST TEN YEARS *

	Plan Year Ending December 31,						
	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 176,808	\$ 170,444	\$ 164,669	\$ 170,297	\$ 162,835	\$ 146,847	\$ 144,222
Interest (on the total pension liability)	380,575	356,336	336,600	340,031	316,556	309,910	317,052
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	53,833	87,527	(15,057)	(359,111)	58,457	(73,747)	(336,903)
Change of assumptions	-	19,303	-	-	-	46,964	-
Benefit payments, including refunds of employee contributions	(350,926)	(204,441)	(188,984)	(209,491)	(178,109)	(172,965)	(282,455)
NET CHANGE IN TOTAL PENSION LIABILITY	260,290	429,169	297,228	(58,274)	359,739	257,009	(158,084)
TOTAL PENSION LIABILITY - BEGINNING	5,725,214	5,296,045	4,998,817	5,057,091	4,697,352	4,440,343	4,598,427
TOTAL PENSION LIABILITY - ENDING (a)	\$ 5,985,504	\$ 5,725,214	\$ 5,296,045	\$ 4,998,817	\$ 5,057,091	\$ 4,697,352	\$ 4,440,343
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 101,777	\$ 98,306	\$ 128,449	\$ 125,698	\$ 110,489	\$ 116,068	\$ 133,532
Contributions - employee	86,008	82,511	79,440	79,845	75,939	72,237	76,633
Net investment income	428,780	760,621	(151,418)	616,389	281,251	6,115	228,276
Benefit payments, including refunds of employee contributions	(350,926)	(204,441)	(188,984)	(209,491)	(178,109)	(172,965)	(282,455)
Administrative expense	(2,777)	(4,299)	(2,928)	(3,195)	(3,176)	(3,724)	(2,383)
Other	(108)	(129)	(152)	(162)	(171)	(186)	(196)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	262,754	732,569	(135,593)	609,084	286,223	17,545	153,407
PLAN FIDUCIARY NET POSITION - BEGINNING	5,653,823	4,921,254	5,056,847	4,447,763	4,161,540	4,143,995	3,990,588
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 5,916,577	\$ 5,653,823	\$ 4,921,254	\$ 5,056,847	\$ 4,447,763	\$ 4,161,540	\$ 4,143,995
NET PENSION LIABILITY (ASSET) - ENDING (a - b)	\$ 68,927	\$ 71,391	\$ 374,791	\$ (58,030)	\$ 609,328	\$ 535,812	\$ 296,348
RELATED RATIOS							
Plan Fiduciary Net Position as a percentage of Total Pension Liability	98.85%	98.75%	92.92%	101.16%	87.95%	88.59%	93.33%
Covered Employee Payroll	\$ 1,228,688	\$ 1,178,727	\$ 1,134,862	\$ 1,140,638	\$ 1,084,843	\$ 1,031,954	\$ 1,094,758
Net Pension Liability (Asset) as a percentage of Covered Employee Payroll	5.61%	6.06%	33.03%	-5.09%	56.17%	51.92%	27.07%

* - GASB 68 requires ten years of data to be presented. Data for only seven years are available.

See Independent Auditors' Report.

**CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS ***

	Fiscal Year	Three Months	Fiscal Year Ending June 30,					
	Ending September 30,	Ending September 30,	2020	2019	2018	2017	2016	2015
	2021	2020						
Actuarially Determined Contribution	\$ 107,449	\$ 26,380	\$ 98,306	\$ 128,449	\$ 123,182	\$ 121,403	\$ 114,066	\$ 120,393
Contributions in relation to the actuarially determined contribution	<u>136,507</u>	<u>26,380</u>	<u>98,306</u>	<u>128,449</u>	<u>123,182</u>	<u>121,403</u>	<u>114,066</u>	<u>120,393</u>
Contribution deficiency (excess)	<u>(29,058)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee Payroll	\$ 1,249,286	\$ 322,108	\$ 1,178,727	\$ 1,134,862	\$ 1,102,613	\$ 1,143,961	\$ 1,063,213	\$ 1,004,127
Contributions as a percentage of Covered Employee Payroll	10.93%	8.19%	8.34%	11.32%	11.17%	10.61%	10.73%	11.99%

Note: In 2021, the City elected to change fiscal year end dates from June 30 to September 30. The schedule includes historical data based on original fiscal year end dates.

* - GASB 68 requires ten years of data to be presented. Only data since 2015 is available.

See Independent Auditors' Report and Notes to the Schedule of Pension Contributions.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - LAST TEN YEARS *

	Plan Year Ending December 31,			
	2020	2019	2018	2017
TOTAL OPEB LIABILITY				
Service cost	\$ 2,949	\$ 2,240	\$ 2,497	\$ 2,281
Interest on Total OPEB Liability	3,101	3,332	2,984	2,980
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(680)	636	1,493	-
Changes in assumptions or other inputs	16,596	17,540	(6,202)	6,799
Benefit payments	(1,229)	(1,061)	(908)	(798)
NET CHANGE IN TOTAL OPEB LIABILITY	20,737	22,687	(136)	11,262
TOTAL OPEB LIABILITY - BEGINNING	111,918	89,231	89,367	78,105
TOTAL OPEB LIABILITY - ENDING	\$ 132,655	\$ 111,918	\$ 89,231	\$ 89,367
 RELATED RATIOS				
Covered Employee Payroll	\$ 1,228,688	\$ 1,178,727	\$ 1,134,862	\$ 1,140,638
Total OPEB Liability as a percentage of Covered Employee Payroll	10.80%	9.49%	7.86%	7.83%

NOTES TO THE SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Assumptions Used to Determine Contribution Rates

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	2.00%
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.

Other Information

Notes	No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
Presentation of Schedule	In accordance with GASB standards, the City has elected to present data calculated at the actuarial valuation/measurement date, which occurs during each fiscal year on December 31.

* - GASB 75 requires ten years of data to be presented. Data for only four years is available.

See Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF DEPARTMENTAL NET OPERATING INCOME
(BEFORE DEPRECIATION) - PROPRIETARY FUND
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	Electric Department	Water and Sewer Department	Total
OPERATING REVENUES			
Electric	\$ 3,522,979	\$ -	\$ 3,522,979
Water	-	1,451,639	1,451,639
Sewer	-	513,197	513,197
Tapping Fees	-	4,825	4,825
Penalties	-	84,943	84,943
Other Charges for Services	-	4,039	4,039
Miscellaneous	-	38,333	38,333
Total operating revenues	<u>3,522,979</u>	<u>2,096,976</u>	<u>5,619,955</u>
OPERATING EXPENSES			
Administration	201,357	201,357	402,714
Water treatment and production	-	1,016,602	1,016,602
Water distribution	-	285,182	285,182
Sewer collection	-	150,560	150,560
Sewer treatment	-	278,206	278,206
Electric department	<u>2,787,735</u>	<u>-</u>	<u>2,787,735</u>
Total operating expenses	<u>2,989,092</u>	<u>1,931,907</u>	<u>4,920,999</u>
Net Operating Income			
Before Depreciation	<u>\$ 533,887</u>	<u>\$ 165,069</u>	<u>\$ 698,956</u>

See Independent Auditors' Report.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT - PROPRIETARY
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	2021
Administration	
Salaries and wages	\$ 181,222
Supplies	5,137
Contractual	131,703
Maintenance - equipment	712
Miscellaneous	83,940
Total	402,714
 Water treatment and production	
Salaries and wages	238,077
Supplies	436,758
Contractual	98,026
Maintenance - buildings & structures	57,565
Maintenance - equipment	120,579
Miscellaneous	65,597
Total	1,016,602
 Water distribution	
Salaries and wages	44,416
Supplies	84,253
Contractual	67,148
Maintenance - buildings & structures	55,812
Maintenance - equipment	9,718
Miscellaneous	23,835
Total	285,182
 Sewer collection	
Salaries and wages	73,208
Supplies	10,531
Contractual	14,572
Maintenance - buildings & structures	9,336
Maintenance - equipment	19,077
Miscellaneous	23,836
Total	150,560
 Sewer treatment	
Salaries and wages	89,393
Supplies	25,934
Contractual	67,877
Maintenance - buildings & structures	7,292
Maintenance - equipment	58,966
Miscellaneous	28,744
Total	278,206

See Independent Auditors' Report.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT - PROPRIETARY
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	2021
Electric department	
Salaries and wages	165,806
Supplies	65,327
Contractual	2,276,905
Maintenance - equipment	232,344
Miscellaneous	47,353
Total	2,787,735
 Depreciation	 332,436
 Total Operating Expenses	 \$ 5,253,435

See Independent Auditors' Report.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF EXPENDITURES BY DEPARTMENT - GENERAL FUND
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	2021
City council	
Mayor and Council fees and wages	\$ 12,947
Supplies	698
Contractual	20,163
Miscellaneous	670
Total	34,478
 Administrative department	
Salaries and wages	157,600
Supplies	5,282
Contractual	151,685
Maintenance - equipment	705
Miscellaneous	55,771
Total	371,043
 Tourism center	
Salaries and wages	450
Supplies	15
Contractual	9,884
Maintenance - buildings & structures	4,239
Miscellaneous	670
Total	15,258
 Miscellaneous - Admin	
Bad debt expense	13,518
Miscellaneous	5,619
Total	19,137
 Fire department	
Salaries and wages	22,424
Supplies	11,930
Contractual	30,576
Maintenance - buildings & structures	3,163
Maintenance - equipment	31,778
Miscellaneous	12,793
Total	112,664
 Police department	
Salaries and wages	497,499
Supplies	22,390
Contractual	34,787
Maintenance - buildings & structures	773
Maintenance - equipment	38,529
Miscellaneous	157,129
Total	751,107

See Independent Auditors' Report.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF EXPENDITURES BY DEPARTMENT - GENERAL FUND
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	2021
Municipal court	
Salaries and wages	21,702
Supplies	173
Contractual	29,094
Maintenance - equipment	2,521
Miscellaneous	-
Total	53,490
Municipal building	
Salaries and wages	3,700
Supplies	1,419
Contractual	3,724
Maintenance - buildings & structures	5,460
Miscellaneous	670
Total	14,973
Streets	
Salaries and wages	76,275
Supplies	14,605
Contractual	97,448
Maintenance - buildings & structures	142,338
Maintenance - equipment	23,411
Miscellaneous	37,202
Total	391,279
Sanitation	
Contractual	208,988
Miscellaneous	-
Total	208,988
Library	
Salaries and wages	104,928
Supplies	1,354
Contractual	28,684
Maintenance - buildings & structures	5,065
Maintenance - equipment	2,659
Miscellaneous	30,210
Total	172,900
Multi-purpose center	
Supplies	15
Contractual	4,766
Maintenance - buildings & structures	2,480
Miscellaneous	670
Total	7,931
El Camino travel center	
Salaries and wages	50
Total	50

See Independent Auditors' Report.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF EXPENDITURES BY DEPARTMENT - GENERAL FUND
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021

	2021
Main Street Program	
Salaries and wages	46,436
Supplies	347
Contractual	26,790
Miscellaneous	18,732
Total	92,305
RV park	
Maintenance - buildings & structures	65
Total	65
Park Maintenance	
Maintenance - buildings & structures	8,346
Miscellaneous	670
Total	9,016
Departmental Total Expenditures	\$ 2,254,684

See Independent Auditors' Report.

COMPLIANCE SECTION



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

To the Honorable Mayor and
Members of the City Council
City of San Augustine, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Augustine, Texas (the "City"), as of and for the fifteen (15) months ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of San Augustine, Texas' basic financial statements and have issued our report thereon dated June 27, 2023.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2021-001 through 2021-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2021-004 through 2021-005 to be significant deficiencies.

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

Report on Compliance and Other Matters

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

City of San Augustine, Texas' Response to Findings

Government Auditing Standards requires that the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

June 27, 2023

**CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF FINDINGS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021**

Financial Statements Audit Findings

2021-001 Material Weakness: Bank reconciliations

Finding. Bank reconciliations for several of the City’s bank accounts were not performed on a timely basis. One account in particular – the accounts payable bank account – currently remains unreconciled with the bank statement. Additionally, transactions for some bank accounts were not entered into the general ledger until we began the audit.

Further, the City changed banking institutions three times during the audit period. Not all bank statements were able to be provided to the auditors. We consider this a significant control issue and caused an overall scope limitation in providing an opinion on the financial statements.

Recommendation. Bank reconciliations are a front-line defense for any organization as a mean of preventing possible misappropriation of funds and/or inaccurate financial reporting. All bank statements should be reconciled to the general ledger as soon after month end as practical and reviewed by someone other than the preparer. The reviewer should document this action by initialing the reconciliation and the bank statement itself.

Management’s response and corrective action. See *Management’s Responses to Findings and Corrective Action Plan* on pages 65-66.

2021-002 Material Weakness: Bank withdrawals

Finding. Many of the City’s vendors are paid electronically. Most often, a series of payments to various vendors, are made at one time. The bank statements do not itemize the vendors. The bank statement shows a total of the transactions, labeled as “AP VENDORS”. This practice does not leave a sufficient audit trail for recording and reconciliation purposes or for audit purposes.

Recommendation. City management should work with its banking partner to begin detailing (by vendor) each electronic payment.

Management’s response and corrective action. See *Management’s Responses to Findings and Corrective Action Plan* on pages 65-66.

2021-003 Material Weakness: Manual recording of deposits

Finding. Manual deposits are recorded to the general ledger with a journal entry. Each month, these receipts are summarized on a spreadsheet (referred to as the “revenue journal”) and posted in “total” to the general ledger. Because these spreadsheets did not always agree with individual deposits made and shown on the bank statements, they could not be used to ascertain that all deposits were recorded and/or properly coded to the general ledger account.

Recommendation. Monthly spreadsheets need to be modified to provide sufficient detail to be used to agree deposits to the bank statements and general ledger. Alternatively, City management should contact its computer vendor and explore ways to electronically post deposits through the system and prevent the manual process altogether.

**CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF FINDINGS
FOR THE FIFTEEN (15) MONTHS ENDED SEPTEMBER 30, 2021**

Management's response and corrective action. See *Management's Responses to Findings and Corrective Action Plan* on pages 65-66.

2021-004 Significant Deficiency: General ledger versus subledger

Finding. At September 30, 2021, the general ledger did not agree with the utility accounts receivable aging report or the listing of customer meter deposits. It does not appear that a specific process is in place to make certain that these remain reconciled at each month end closing.

Recommendation. The specific reports from the utility billing system that will aid in this process need to be identified and printed at each month end. It has been our experience that these reports need to be recapped in a roll-forward schedule to ascertain that all transactions are appropriately being recorded to the general ledger.

Additionally, a full accounts receivable aging and listing of customer meter deposits should be run at each month end. It is critical that these reports be run at month end, as they cannot be reprinted or run at a later date.

Management's response and corrective action. See *Management's Responses to Findings and Corrective Action Plan* on pages 65-66.

2021-005 Significant Deficiency: Intermingling of unrelated cash

Finding. A bank account (in the General fund) that was originally opened for Hurricane Rita funds is being used for a variety of unrelated transactions related to both the General and System funds – COVID monies, ARPA monies, TWDB grant funds, accumulate System reserves, etc. The balance of each of the different uses is being tracked on a spreadsheet.

As a result, it appears that some transactions may have been recorded through the General fund that should have been in the System fund.

Recommendation. We recommend that all the transactions be reviewed to determine that they were recorded in the appropriate fund. Any interfund receivable/payable should be recorded as needed.

Management's response and corrective action. See *Management's Responses to Findings and Corrective Action Plan* on pages 65-66.

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S RESPONSES TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE FIFTEEN (15) MONTHS SEPTEMBER 30, 2021**



CITY OF SAN AUGUSTINE

301 SOUTH HARRISON
SAN AUGUSTINE, TX 75972
TEL: (936) 275.2121
FAX: (936) 275.9146

July 29, 2023

Management's Responses to Audit Findings Dated June 27, 2023

The City of San Augustine, Texas submits the following responses to the Schedule of Audit Findings for the fiscal year ended September 30, 2021.

2021-001 Bank reconciliations

Response and Planned Corrective Action –

The City of San Augustine had experienced two voluntary separations. One the City Manager John Camp changed professions and City Secretary Cinda Garner retired in December 2021 before the actual audit began. Jeaneyse Mosby, who was in finance moved to the City Manager's position and Wylma Hewett from Utility Billing. This left me with the most experience in the audit process. The city was then getting paper bank statements, and with the transition that took place in the City Secretary's office, who was the keeper of the statements, in cleaning of the office things could have been disposed of or filed incorrectly. To correct this, we now receive our bank statements electronically and they are filled electronically monthly in our cloud storage. We are also looking into getting a Cash Control module that will be tied directly to the software. We are currently using an Excel spreadsheet that was designed by the then Finance Director Jeaneyse Mosby. If you are not careful things can be overwritten in cells.

Anticipated Implementation Date –

This change was implemented during the beginning of FY 2022 in October 2021. Cash Control module will be implemented as soon as our software provider can get contracts in place for the new module no later than 60 days from today, June 29, 2023.

Official Responsible for Corrective Action –

This will be part of the Finance Department's responsibility for the records.

HISTORIC AND PROGRESSIVE CITY

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S RESPONSES TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE FIFTEEN (15) MONTHS SEPTEMBER 30, 2021**

2021-002 Bank withdrawals

Response and Planned Corrective Action –

This finding was discovered when Finance was attempting to reconcile bank statements. When banking partners were changed, the way that banking procedures were recorded changed, that we were unaware of. So that we can see each transaction we now do each electronic payment separately.

Anticipated Implementation Date –

This change was implemented during the beginning of FY 2022 in October 2021.

Official Responsible for Corrective Action –

This will be part of the Finance Department's responsibilities. The Finance Department processes the electronic payments.

2021-003 Manual recording of deposits

Response and Planned Corrective Action –

This may have occurred if a correction was made during the actual posting to the general ledger and not reflected on the saved Revenue Journal. The revenue journal has been used in the past as an in-house record. Measures have been put in place to make the Revenue Journals are corrected on the printed as well as the save version. We have also purchased an additional module through our accounting software that when a manual receipt is written it is done through the software and posted to the general ledger account. The most that will have to be done manually now is to make sure that monies were not accidentally put in the incorrect fund which would cause a manual transfer but that can also be recorded via the Cash Receipts module.

Anticipated Implementation Date –

The new module was purchased in January 2023 with it being partially implemented in March of 2023 and fully implemented beginning in April of 2023.

Official Responsible for Corrective Action –

Any office personnel that collect money out side of the scope of a utility bill payment will be responsible for using this module. Finance will be responsible for direct deposits from the Comptroller's Office and Finance and the City Secretary will share the responsibility for transfers between city cash accounts.

2021-04 General ledger versus subledger

Response and Planned Corrective Action –

We have discussed this problem with our software provider, and they have no custom addition that can be added. We have concluded that the largest contributor to this problem was payments received from Tri County that assists some of our customers with their utility bills. Tri County has since changed their voucher process and those credits are deposited in another cash account and not applied to the customer until they have been billed for the usage. This should help. We already had a process in place for checking but with the transition and training in stages of the Finance Department this procedure has slacked. We

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S RESPONSES TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE FIFTEEN (15) MONTHS SEPTEMBER 30, 2021**

believe that our training is underway and foresee no other transitions in the near future that will get Finance back to full strength.

Anticipated Implementation Date –
July 10, 2023 is the anticipated implementation date.

Official Responsible for Corrective Action –
The Finance Department will be responsible.

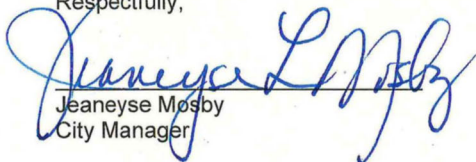
2021-005 Intermingling of unrelated cash

Response and Planned Corrective Action –
In an attempt to reduce the number of Cash checking accounts the city was responsible for many accounts were consolidated into this account. The planned corrective action is to add a System Fund Cash Account for the Special Account.

Anticipated Implementation Date –
This change will be made in the General Ledger on July 29, 2023 and retroactive to the FY 2022 as a corrective measure for future audits.

Official Responsible for Corrective Action –
The official responsible for the corrective action will be Jeaneyse Mosby, City Manager and the current person responsible for training Finance Department which will be the primary user of the account along with the City Secretary if that department makes any entries.

Respectfully,


Jeaneyse Mosby
City Manager