

CITY OF SAN AUGUSTINE, TEXAS
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2020

CITY OF SAN AUGUSTINE, TEXAS

Annual Financial Report for the
Year Ended June 30, 2020

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FINANCIAL SECTION

TILLER AND COMPANY

A PROFESSIONAL CORPORATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of San Augustine, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of San Augustine, Texas (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of San Augustine, Texas as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of departmental net operating income, schedule of operating expenses – proprietary fund and schedule of current expenditures – general fund listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

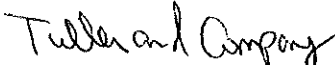
We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the City of Augustine, Texas' basic financial statements for the year ended June 30, 2019, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Augustine, Texas' basic financial statements as a whole. The schedule of operating expenses - proprietary fund and schedule of current expenditures - general fund for the year ended June 30, 2019, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 schedule of operating expenses - proprietary fund and schedule of current expenditures - general fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

The other data listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 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 the 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.

Respectfully submitted,


Tiller and Company
A Professional Corporation of
Certified Public Accountants

San Augustine, Texas
December 7, 2020

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

FINANCIAL HIGHLIGHTS

- The City's total combined assets and deferred outflows exceeded its liabilities and deferred inflows (net position) by \$5,542,866 at June 30, 2020. Included in this amount is \$670,480 in unrestricted net position.
- During the year, the City's governmental activities expenses were \$197,126 less than the \$2,146,663 generated in taxes and other revenues for governmental activities.
- The total cost of the City's governmental activities increased by \$112,453 from last year.
- The City transferred \$630,894 from the System Fund (water, sewer and electricity) to the General and Debt Service Funds as payments in lieu of taxes, debt service and other purposes.
- The general fund reported a fund balance this year of \$433,940, an increase of \$57,343 from last year.

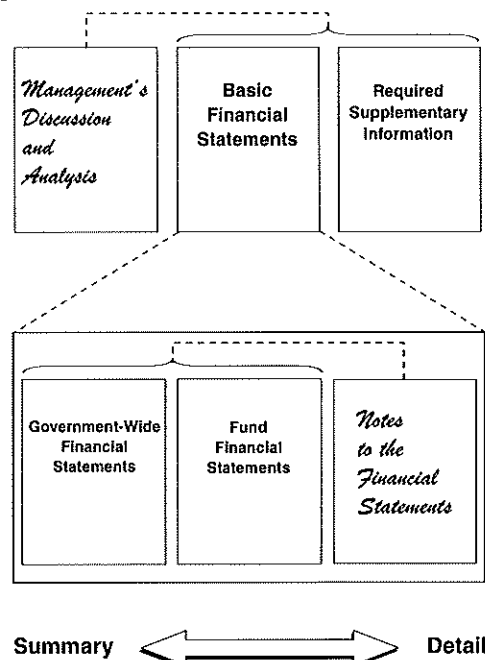
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1, Required Components of the City's Annual Financial Report



CITY OF SAN AUGUSTINE, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

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

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and deferred inflows and liabilities and deferred outflows—is one way to measure the City's financial health or *position*.

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

The government-wide financial statements of the City include its *governmental activities and business type activities*.

Fund Financial Statements

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

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

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary fund* – The System Fund that accounts for revenues and expenses related to services for electricity and water and sewer.

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$5,542,866 at June 30, 2020. (See Table A-1).

Table A-1
City of San Augustine, Texas' Net Position
In thousands of dollars

	June 30, 2020			June 30, 2019		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Current assets:						
Cash	\$ 494	\$ 346	\$ 840	\$ 434	\$ 165	\$ 599
Property taxes receivable	234	-	234	213	-	213
Accounts receivable	42	483	525	42	475	517
Internal balances	36	(36)	-	37	(37)	-
Prepaid expense	11	9	20	10	9	19
Total current assets:	817	802	1,619	736	612	1,348
Noncurrent assets:						
Capital assets	5,217	12,913	18,130	5,187	12,883	18,070
Less accumulated depreciation	(3,784)	(8,419)	(12,203)	(3,684)	(8,155)	(11,839)
Total Capital assets	1,433	4,494	5,927	1,503	4,728	6,231
Total noncurrent assets	1,433	4,494	5,927	1,503	4,728	6,231
Total Assets	2,250	5,296	7,546	2,239	5,340	7,579
Deferred Outflow of Resources	264	169	433	308	197	505
Current liabilities:						
Accounts payable	17	47	64	21	50	71
Refundable deposits	-	233	233	-	222	222
Current portion of long-term debt	138	29	167	125	-	125
Total current liabilities	155	309	464	146	300	446
Long-term liabilities:						
Long-term debt	1,271	185	1,456	1,613	312	1,925
Total Liabilities	1,426	494	1,920	1,759	612	2,371
Deferred Inflow of Resources	315	201	516	212	136	348
Net Position:						
Invested in capital assets	246	4,450	4,740	208	4,656	4,864
Restricted for debt service	116	-	116	110	-	110
Restricted for capital projects	16	-	16	16	-	16
Unrestricted	395	320	671	242	133	375
Total Net Position	\$ 773	\$ 4,770	\$ 5,543	\$ 576	\$ 4,789	\$ 5,365

The City has \$670,480 in unrestricted net position available to fund the programs of the City next year.

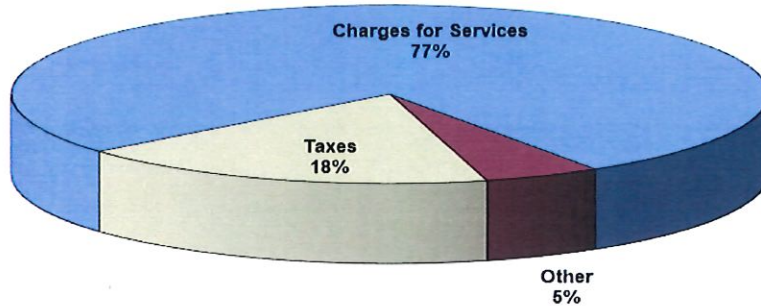
**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in net position. The City's total revenues were \$5,671,888. A significant portion, 77% of the City's revenue comes from charges for services. (See Figure A-3.) 18% comes from taxes, and 5% comes from other revenues. The total cost of all programs and services was \$5,493,430; 65% of these costs are for water and sewer and electrical services.

Government Wide Activities

- Property tax rate decreased to \$0.606687 from \$0.633301 per \$100 valuation.

Figure A-3 City
Sources of Revenue for Fiscal Year 2020



**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-2
Changes in City of San Augustine, Texas' Net Position
(In Thousands Dollars)

	June 30, 2020			June 30, 2019		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business- type Activities	Total Primary Government
Program Revenues:						
Charges for Services	\$ 208	\$ 4,147	\$ 4,355	\$ 207	\$ 4,341	\$ 4,548
Capital Grants and Contributions	187	-	187	39	107	146
General Revenues:						
Property Taxes	412	-	412	405	-	405
Sales and Other Taxes	604	-	604	673	-	673
Other	104	9	113	72	116	188
Totals	1,515	4,156	5,671	1,396	4,564	5,960
Transfers	631	(631)	-	686	(686)	-
Total Revenues	2,146	3,525	5,671	2,082		5,960
Business-Type Activities Expenses:						
Water and Sewer	-	1,488	1,488	-	1,533	1,533
Electric	-	2,056	2,056	-	2,937	2,937
Governmental-Type Activities Expenses:						
General Government	565	-	565	-	-	440
Public Safety	719	-	719	-	-	821
Public Works	367	-	367	440	-	311
Parks, Recreation and Culture	291	-	291	821	-	256
Interest and Fiscal Agent Fees	7	-	7	311	-	9
Total Expenses	1,949	3,544	5,493	1,837	4,470	6,307
Increase (Decrease) in Net Position	\$ 197	\$ (19)	\$ 178	\$ 245	\$ (592)	\$ (347)

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-3 presents the cost of each of the City's largest activities as well as each activities' net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded through charges for services as well as tax dollars.

- The cost of all *governmental* activities this year was \$1.9 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$412 thousand.
- Some of the governmental activities which were paid by those who directly benefited from the programs was \$208 thousand.
- Grants and contributions amounted to \$187 thousand.

Table A-3
Net Cost of Selected City Activities
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2020</u>	<u>2019</u>	<u>% Change</u>	<u>2020</u>	<u>2019</u>	<u>% Change</u>
General government	\$565	\$440	28%	\$565	\$440	28%
Public safety	719	821	(12)%	719	798	(10)%
Public works	367	311	18%	22	93	(76)%
Parks, recreation and culture	291	256	14%	240	251	(4)%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types increased \$89,988 due primarily to increases in donation and grant proceeds in excess of the prior year. Revenues from business-type activities revenues decreased by \$300,626, due primarily to decreases in electricity charges for the current year. There were no fee increases per se during the year, but we were able to cut some losses by re-writing our policy for handling wasteful water leaks by customers.

General Fund Budgetary Highlights

The budget was not amended during the 2019-20 year. For 2020, actual revenues in excess of expenditures before transfers were above the original budgeted amounts by \$169,314. Revenues exceeded the budgeted amounts by \$312,924 while expenditures were less than budgeted amounts by \$34,526.

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had invested \$18,130,243 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
City's Capital Assets
(In thousands of dollars)

	<u>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
Land	\$466	\$466	-
Buildings and improvements	14,207	14,207	-
Vehicles and equipment	3,457	3,397	2%
Totals at historical cost	<u>18,130</u>	<u>18,070</u>	-
Total accumulated depreciation	12,203	11,839	3%
Net capital assets	<u>\$5,927</u>	<u>\$6,231</u>	<u>(5)%</u>

Long Term Debt

At year-end the City had \$2,078 thousand in certificates of obligation, compensated absences payable, pension and OPEB liabilities and notes outstanding as shown in Table A-5.

Table A-5
City's Long-Term Debt
(In thousands of dollars)

	<u>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
Compensated Absences	\$ 209	\$ 246	(15)%
Certificates of Obligation	1,170	1,240	(5)%
Bonds	-	55	(100)%
Notes Payable	61	73	(16)%
Net Pension and OPEB Liability	183	464	(61)%
Total Long-Term Debt	<u>\$1,623</u>	<u>\$2,078</u>	<u>(22)%</u>

**CITY OF SAN AUGUSTINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget year ending on June 30, 2020 was a good year for San Augustine. The year was better than the last because we had no significant weather events to damage the town's infrastructure. Revenue was as good or better than expected, and expenses were kept to a minimum. Again, in an effort to not raise taxes, the budget reflected a flat income from property taxes relative to the one ending in June of 2019. Unfortunately, although there were no weather disasters in our area the City has been significantly affected by the global Covid-19 Pandemic beginning in second half of the budget period. The good news was that effects early in the crisis were small, and there should be no lasting damage to operations or the budget so far. Also, as of this writing Federal Relief funds are being made available that will offset losses incurred by the City due to the Pandemic.

As was predicted in this section of commentary last year, we had to forgo reducing Utility (electric) Rates since damage from the tornado in the last cycle is carrying forward into subsequent periods. We are continuing to slowly build up a reserve again after the City was completely stripped of any liquid cash by the \$750K storm damages last time.

Other than anything previously mentioned, economic factors in the City remained rather flat. The following budget, which we are almost one half of the way through as of this commentary represents funding for continued upgrade of the City's Water system as well \$800K for debt service on an application process for approx. \$7MM in system upgrades to the Wastewater Processing Plant and Collections system from the USDA. Also, in the works is a previously obtained grant for \$250 to complete the building at the Water Plant that was left after the last round of grants a few years ago. All of these activities are substantially delayed due to the pandemic, and the USDA project will likely not take off until the next period.

Also, the Council will vote in the first quarter of 2021 on an extension budget to change the City's budget period from July 1 – June 30 to October 1 – September 30. This will be done to make the budget coterminous with that of the County in order to allow better intergovernmental coordination as well as to allow adjustments in the tax rates. When the City is able to reduce certain of its utility rates it will be necessary to have flexibility with the tax rate within state guidelines. This is not a statement of an intent to raise the taxes on the City, but it will make that possible if needed. By Texas State Law a City may only levy taxes needed to get the amount scheduled in the approved budget. This results in a repetitive adoption of an effective rate and restrains the City's control of revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Office.

BASIC FINANCIAL STATEMENTS

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 494,251	\$ 346,543	\$ 840,794
Receivables (Net of Allowance for Uncollectible, Where Applicable):			
Property Taxes	234,605	-	234,605
Accounts	41,776	482,837	524,613
Internal Balances	35,642	(35,642)	-
Prepaid Expenses	11,014	8,830	19,844
Capital Assets:			
Land	453,753	12,522	466,275
Buildings and Improvements	896,536	-	896,536
Furniture & Equipment	82,271	235,616	317,887
Distribution System	-	411,969	411,969
Wells and Tanks	-	1,427,472	1,427,472
Lake and Treatment Plant	-	447,959	447,959
Sewer and Treatment Plant	-	1,958,946	1,958,946
	<u>2,249,848</u>	<u>5,297,052</u>	<u>7,546,900</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to OPEB	9,621	6,151	15,772
Deferred Outflow Related to TMRS	254,236	162,545	416,781
	<u>263,857</u>	<u>168,696</u>	<u>432,553</u>
LIABILITIES			
Accounts Payable	16,994	47,384	64,378
Refundable Deposits	-	232,783	232,783
Long-Term Liabilities:			
Portion Due in One Year:			
Note Payable	8,462	29,338	37,800
Certificates of Obligation	130,000	-	130,000
Portion Due in More Than One Year:			
Compensated Absences	110,687	98,294	208,981
Note Payable	7,915	15,144	23,059
Certificates of Obligation	1,040,000	-	1,040,000
Net Pension Liability	43,549	27,842	71,391
Net OPEB Liability	68,270	43,648	111,918
Total Liabilities	<u>1,425,877</u>	<u>494,433</u>	<u>1,920,310</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to TMRS	314,929	201,348	516,277
	<u>314,929</u>	<u>201,348</u>	<u>516,277</u>
NET POSITION			
Net investment in capital assets	246,183	4,450,002	4,696,185
Restricted For:			
Capital Projects	15,783	-	15,783
Debt Service	115,966	-	115,966
Unrestricted	394,967	319,965	714,932
Total Net Position	<u>\$ 772,899</u>	<u>\$ 4,769,967</u>	<u>\$ 5,542,866</u>

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENT ACTIVITIES:						
General government	\$ 565,229	\$	\$	(565,229)	\$	(565,229)
Public safety	718,718			(718,718)		(718,718)
Public works	367,442	\$ 206,854	138,224	(22,364)		(22,364)
Parks, recreation and culture	290,658	1,605	49,200	(239,853)		(239,853)
Interest and fiscal agent fees	7,490			(7,490)		(7,490)
TOTAL GOVERNMENTAL ACTIVITIES	<u>1,949,537</u>	<u>208,459</u>	<u>187,424</u>	<u>(1,553,654)</u>	<u>-</u>	<u>(1,553,654)</u>
BUSINESS-TYPE ACTIVITIES:						
Water and sewer	1,487,699	1,557,022	-	-	69,323	69,323
Electric	2,056,194	2,589,554	-	-	533,360	533,360
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,543,893</u>	<u>4,146,576</u>	<u>-</u>	<u>-</u>	<u>602,683</u>	<u>602,683</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,493,430</u>	<u>\$ 4,355,035</u>	<u>\$ 187,424</u>	<u>(1,553,654)</u>	<u>602,683</u>	<u>(950,971)</u>
General Revenues:						
Property Taxes, Levied for General Pur				412,172	-	412,172
Sales and Other Taxes				604,337	-	604,337
Miscellaneous				103,561	9,359	112,920
Transfers, net				630,710	(630,710)	-
Total General Revenues and Transfers				<u>1,750,780</u>	<u>(621,351)</u>	<u>1,129,429</u>
Change in Net Position				197,126	(18,668)	178,458
Net Position - Beginning				575,773	4,788,635	5,364,408
Net Position - Ending				<u>772,899</u>	<u>4,769,967</u>	<u>5,542,866</u>

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS				
Cash	\$ 362,502	\$ 115,966	\$ 15,783	\$ 494,251
Receivables (Net of Allowance for Uncollectibles, Where Applicable):				
Property Taxes	234,605	-	-	234,605
Accounts	41,776	-	-	41,776
Prepaid expenditures	11,014	-	-	11,014
Due from Other Funds	35,642	-	-	35,642
Total Assets	\$ 685,539	\$ 115,966	\$ 15,783	\$ 817,288
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 16,994	\$ -	\$ -	\$ 16,994
Total Liabilities	16,994	-	-	16,994
Deferred Inflow of Resources				
Unavailable Revenue - Taxes	234,605	-	-	234,605
Fund Balances:				
Fund Balances:				
Nonspendable - prepaid items	11,014	-	-	11,014
Restricted				
Debt Service	-	115,966	-	115,966
Capital Projects	-	-	15,783	15,783
Unassigned	422,926	-	-	422,926
Total Fund Balances	433,940	115,966	15,783	565,689
Total Liabilities and Fund Balances	\$ 685,539	\$ 115,966	\$ 15,783	\$ 817,288

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances - governmental funds balance sheet	\$	565,689
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		1,432,560
Certain pension and OPEB contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds		263,857
Net pension and OPEB liability is not due and payable in the current period and is not reported in the funds		(111,819)
Pension and OPEB related deferrals		(314,929)
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		234,605
Payables for compensated absences not reported in the funds		(110,687)
Payables for long-term debt are not reported in the funds.		<u>(1,186,377)</u>
Net position of governmental activities - statement of net position	\$	<u>772,899</u>

The accompanying notes are an integral part on this statement.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property Taxes	\$ 390,582	\$ -	\$ -	\$ 390,582
Garbage Collection	206,854	-	-	206,854
Other Local Taxes and Permits	604,337	-	-	604,337
Fines and Parking	24,081	-	-	24,081
Interest Income	37	-	238	275
Miscellaneous	80,780	30	-	80,810
Donations and Grants	187,424	-	-	187,424
TOTAL REVENUES	1,494,095	30	238	1,494,363
EXPENDITURES:				
City Council	35,383	-	-	35,383
Administrative Department	270,650	-	-	270,650
Street Department	197,131	-	-	197,131
Sanitation Department	163,045	-	-	163,045
Fire Department	94,064	-	-	94,064
Police Department	629,778	-	-	629,778
Corporation Court	38,049	-	-	38,049
Municipal Buildings	12,953	-	-	12,953
Library Department	133,131	-	-	133,131
Multi-Purpose Center	4,757	-	-	4,757
Mission Delores	-	-	-	-
Main Street Program	85,061	-	-	85,061
Tourism Center	12,839	-	400	13,239
Park Maintenance	10,044	-	-	10,044
Miscellaneous	4,931	-	-	4,931
Grant Repairs and Improvements	224,184	-	-	224,184
Capital Outlay	29,169	-	-	29,169
Debt Service:				
Principal Retirement	7,792	125,000	-	132,792
Interest and Fiscal Charges	670	6,820	-	7,490
TOTAL EXPENDITURES	1,953,631	131,820	400	2,085,851
Excess (Deficiency) of Revenues Over Expenditures	(459,536)	(131,790)	(162)	(591,488)
OTHER FINANCING SOURCES (USES):				
Proceeds from loans	24,169	-	-	24,169
Payments in Lieu of Taxes	500,894	-	-	500,894
Transfers In	-	138,000	-	138,000
Transfers Out	(8,184)	-	-	(8,184)
TOTAL OTHER FINANCING SOURCES (USES)	516,879	138,000	-	654,879
Change in Fund Balances	57,343	6,210	(162)	63,391
Fund Balances at Beginning of Year	376,597	109,756	15,945	502,298
FUND BALANCES AT END OF YEAR	\$ 433,940	\$ 115,966	\$ 15,783	\$ 565,689

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net changes in fund balance - total governmental funds	\$	63,391
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p>		
The depreciation of capital assets used in governmental activities is not reported in the funds.		(99,717)
Contributions to the pension and OPEB plans in the current fiscal year are not included in the SOA		24,851
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA		132,792
Capital outlay in the governmental funds reported as capital assets in the SOA net of related debt		5,000
Certain property tax revenues are deferred in the funds.		21,590
Increase in compensated absences long term liability		<u>49,219</u>
Change in net position of governmental activities - statement of activities	\$	<u><u>197,126</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	BUSINESS-TYPE ACTIVITIES - SYSTEM FUND
	2020
ASSETS:	
Current Assets:	
Cash	\$ 346,543
Accounts Receivable (Net of Allowance for Uncollectibles)	482,837
Prepaid Expenses	8,830
Capital Assets	
Land	12,522
Furniture and Equipment	1,889,648
Distribution System	4,037,798
Wells and Tanks	1,804,016
Lake and Treatment Plant	1,881,131
Sewer and Treatment Plant	3,288,573
Less Accumulated Depreciation	(8,419,204)
Total Assets	5,332,694
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to OPEB	6,151
Deferred Outflow Related to TMRS	162,545
Total Deferred Outflow of Resources	168,696
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	47,384
Due to Other Funds	35,642
Note payable - Current Portion	29,338
Refundable Deposits	232,783
Total Current Liabilities	345,147
Non-Current Liabilities:	
Long-Term Liabilities, Less Current Portion:	
Accrued Compensated Absences	98,294
Note Payable	15,144
Net Pension Liability	27,842
Net OPEB Liability	43,648
Total Non-Current Liabilities	184,928
Total Liabilities	530,075
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to TMRS	201,348
Total Deferred Inflow of Resources	201,348
 NET POSITION:	
Net investment in capital assets	4,450,002
Unrestricted	319,965
Total Net Position	\$ 4,769,967

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	BUSINESS-TYPE ACTIVITIES -
	SYSTEM FUND
	<u>2020</u>
OPERATING REVENUES:	
Charges for Services	\$ 4,146,576
Miscellaneous	<u>9,359</u>
TOTAL OPERATING REVENUES	<u>4,155,935</u>
OPERATING EXPENSES:	
Administration	242,014
Water Treatment and Production	693,021
Water Distribution	184,244
Sewer Collection	94,372
Sewer Treatment	220,383
Electric Department	1,843,213
Depreciation	<u>264,104</u>
TOTAL OPERATING EXPENSES	<u>3,541,351</u>
Operating Income	<u>614,584</u>
NONOPERATING EXPENSES	
Interest Expense	<u>(2,542)</u>
Income before transfers	612,042
Transfers In Lieu of Taxes	(500,894)
Transfers (Out)	<u>(129,816)</u>
Change in Net Position	<u>(18,668)</u>
Net Position at Beginning of Year	<u>4,788,635</u>
NET POSITION AT END OF YEAR	<u><u>\$ 4,769,967</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	BUSINESS-TYPE ACTIVITIES - SYSTEM FUND
	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,149,502
Receipts from other items	9,359
Payments to suppliers	(2,735,345)
Payments for wages and benefits	(548,677)
Net Cash Provided by Operating Activities	874,839
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in Lieu of Taxes	(500,894)
Transfers - in (out)	(131,642)
Net Cash Used From Noncapital Financing Activities	(632,536)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal and interest paid	(30,661)
Purchase of capital assets	(30,580)
Net Cash Used From Capital and Related Financing Activities	(61,241)
 Net Decrease in Cash	181,062
 Cash at Beginning of the Year	165,481
 Cash at End of the Year	\$ 346,543
 Adjustments to reconcile operating income to net cash provided by operating activities:	
Net operating income	\$ 614,584
Depreciation expense	264,104
(Increase)/decrease in receivables	(7,519)
(Increase)/decrease in prepaid expenses	124
Increase/(decrease) in payables	(2,987)
Increase/(decrease) in customer deposits	10,445
Increase/(decrease) in pension and OPEB liability	(15,888)
Increase/(decrease) in compensated absences	11,976
Net Cash Provided by Operating Activities	\$ 874,839

The accompanying notes are an integral part of this statement.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of San Augustine, Texas (the City) was incorporated in 1917, under the provisions of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: police, streets, utilities, sanitation, culture-recreation, public improvements, and general administration.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

1. THE FINANCIAL REPORTING ENTITY

The City is a Texas Municipal Corporation with a six-member City Council, comprised of the Mayor and five Councilmen, all elected at large. The City, for financial purposes, includes all of the funds relevant to the operations of the City of San Augustine. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of San Augustine.

The financial statements of the City do not include any separately administered organizations. No such organizations exist that are controlled by or are dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. There are no component units included within the reporting entity.

Because members of the City Council are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations, and have the primary accountability for fiscal matters; the City is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity," as amended.

The City receives funding from local, state and federal government sources and must comply with requirements of these funding entities.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. *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 activities demonstrates the degree to which the direct expenses for 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 or applicants who purchased, used or directly benefited from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Separate financial statements are provided for governmental funds and proprietary funds. Major individual government funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *debt service fund* accounts for and reports financial resources that are restricted, committed or assigned to expenditures for principal and interest. Debt service funds are also used to report resources if legally mandated and resources that are being accumulated for principal and interest maturing in future years.

The government reports the following major proprietary funds:

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

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

5. BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and debt service funds. All annual appropriations lapse at fiscal year-end. The budget is properly amended by the City Council as needed throughout the year.

6. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The government has items that qualifies for reporting in this category. It is 1) the deferred outflows result from the contributions made to the City's defined benefit pension and OPEB plans between the measurement date of the net position liabilities from those plans and the end of the City's fiscal year, 2) changes in actuarial assumptions related to pension and OPEB expense, 3) actual pension and OPEB plan earnings in excess of the expected amounts included in determining pension and OPEB expense, 4) differences between expected and actual economic experience. No deferred resources affect the governmental funds financial statements in the current year.

The City's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the City's statement of net position for differences between expected and actual economic experience attributed to the pension and OPEB plans. These deferred inflows of resources are attributed to pension and OPEB expense over a total of five years. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than sixty days after the end of the City's fiscal year) under the modified accrual basis of accounting.

7. CASH

Cash includes cash on hand and amounts in demand and short-term time deposit accounts with maturities of three months or less. Cash deposits are reported at carrying amount which reasonably estimates fair value.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables."

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

9. INTERNAL BALANCES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

10. CAPITAL ASSETS

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized along with other capital assets.

11. COMPENSATED ABSENCES

Employees are paid by a prescribed formula for absences due to vacation or sickness. Vacation pay does not accrue past the anniversary date of the employee. Ten days each of sick and vacation days may be earned each year up to a maximum of 120 days of sick leave and sixty days of vacation time.

12. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed.

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

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

13. GOVERNMENTAL FUND BALANCES

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

- Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.
- Assigned – Amounts the City intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.
- The City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

14. GOVERNMENT-WIDE AND PROPRIETARY FUND NET POSITION

Net position represents the difference between assets and liabilities in the statement of net position. Government-wide net position is divided into three components:

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consists of assets that are restricted by the City’s creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

The City uses restricted amounts first when both restricted and unrestricted fund balances are available.

15. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions except reimbursements are reported as transfers.

16. **PROPRIETARY FUNDS OPERATING AND NONOPERATING REVENUES AND EXPENSES**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the System Fund are charges to customers for sales or services. The System Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

17. **FUND BALANCE POLICY**

The City reports fund balance amounts for which provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances.

18. **PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of 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 to 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.

19. **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 a 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.

20. **CLAIMS AND JUDGMENTS**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the statement of net position. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE C – CASH AND INVESTMENTS

The City's depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The City's cash deposits at June 30, 2020 and during the year were entirely covered by FDIC insurance or by pledged collateral held by the City's agent banks in the City's name. The City's depository bank is Compass Bank (Texas State Bank).

The City does not pool cash. Instead, the City maintains separate cash accounts, in the form of checking and/or savings accounts, for each fund.

The Public Funds Investment Act (the "Act") (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas; (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and the City's Investment Policy authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) money market savings accounts; and 5) public investment pools. Temporary investments are reported at cost which approximates market and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC). The City is in substantial compliance with the requirements of the Act and with local policies.

The City's investments at June 30, 2020 are as shown below:

	Amortized <u>Cost</u>
Certificates of Deposit	<u>\$ 6,777</u> <u>\$ 6,777</u>

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Analysis of Specific Deposit and Investment Risk

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

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

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE D – PROPERTY TAXES

Taxes are levied on October 1 and are due and payable at this time. All unpaid taxes levied October 1 become delinquent February 1, of the following year. A lien on all taxable real property is effective on January 1, of the tax year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

San Augustine County property is assessed by the San Augustine County Tax Assessor. The property taxes due to the City were collected by the San Augustine Tax Collector.

Based on collection histories, the City has provided an allowance for uncollectible real property taxes equivalent to 10% of the delinquent tax receivable balance.

NOTE E – CHANGES IN GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

	Balance July 1, 2019	Additions	Retirement	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 453,753	\$ -	\$ -	\$ 453,753
Capital assets being depreciated:				
Buildings and Improvements	3,195,659	-	-	3,195,659
Machinery and Equipment	1,537,974	29,169	-	1,567,143
	<u>4,733,633</u>	<u>29,169</u>	<u>-</u>	<u>4,762,802</u>
Less accumulated depreciation:				
Buildings and Improvements	2,238,500	60,623	-	2,299,123
Machinery and Equipment	1,445,778	39,094	-	1,484,872
	<u>3,684,278</u>	<u>99,717</u>	<u>-</u>	<u>3,783,995</u>
Total capital assets being depreciated, net	<u>1,049,355</u>	<u>(70,548)</u>	<u>-</u>	<u>978,807</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,503,108</u>	<u>\$(70,548)</u>	<u>\$ -</u>	<u>\$ 1,432,560</u>

Depreciation was charged to departments as follows:

City Council	\$ 5,348
Street Department	4,572
Sanitation Department	2,085
Police Department	24,490
Library Department	12,394
Multi-Purpose Center	23,911
Parks and Recreation	<u>26,917</u>
Total	<u>\$ 99,717</u>

CITY OF SAN AUGUSTINE, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE F – CHANGES IN PROPRIETARY CAPITAL ASSETS

The following is a summary of the property, plant and equipment of the Proprietary (System) Fund at June 30, 2020:

	Balance July 1, 2019	Additions	Retirement	Balance June 30, 2020
Capital Assets Being Depreciated:				
Plant and Equipment	\$ 1,859,068	\$ 30,580	\$ -	\$ 1,889,648
Distribution System	4,037,798	-	-	4,037,798
Well & Tanks	1,804,016	-	-	1,804,016
Lake & Treatment Plant	1,881,131	-	-	1,881,131
Sewage Treatment Plant	3,288,573	-	-	3,288,573
	<u>12,870,586</u>	<u>30,580</u>	<u>-</u>	<u>12,901,166</u>
Accumulated Depreciation:				
Plant and Equipment	1,559,807	94,225	-	1,654,032
Distribution System	3,584,972	40,857	-	3,625,829
Well & Tanks	336,990	39,554	-	376,544
Lake & Treatment Plant	1,419,051	14,121	-	1,433,172
Sewage Treatment Plant	1,254,280	75,347	-	1,329,627
	<u>8,155,100</u>	<u>264,104</u>	<u>-</u>	<u>8,419,204</u>
Total Capital Assets Being Depreciated, net	<u>4,715,486</u>	<u>(233,524)</u>	<u>-</u>	<u>4,481,962</u>
Land	12,522		-	12,522
Total Capital Assets	<u>\$ 4,728,008</u>	<u>\$ (233,524)</u>	<u>\$ -</u>	<u>\$ 4,494,484</u>

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE G – DEFINED BENEFIT PENSION PLANS

1. Plan Description

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

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

2. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2019	Plan Year 2020
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/25	60/10,0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>29</u>
Total	<u>72</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year ending June 30, 2020. Contribution rates for the City were 8.34% and 8.19% in the calendar years 2019 and 2020. The City's contributions to TMRS for the year ended June 30, 2020, were \$99,577, and were equal to the required contributions.

4. Net Pension Liability

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

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 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	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 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 subject to the floor.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 2019 actuarial valuation. The post-retirement mortality assumptions for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 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	<u>10.0%</u>	7.75%
Total	<u>100%</u>	

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.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2018	<u>\$5,296,045</u>	<u>\$4,921,254</u>	<u>\$374,791</u>
Changes for the year:			
Service cost	170,444		170,444
Interest	356,336		356,336
Change in benefit terms	-		-
Difference between expected and actual experience	87,527		87,527
Changes of assumptions	19,303		19,303
Contributions – employer		98,306	(98,306)
Contributions – employee		82,511	(82,511)
Net investment income		760,621	(760,621)
Benefit Payments, including refunds of Employee contributions	(204,441)	(204,441)	-
Administrative expenses		(4,299)	4,299
Other Changes	_____	(129)	<u>129</u>
Net changes	<u>429,169</u>	<u>732,569</u>	<u>(303,400)</u>
Balance at 12/31/2019	<u>\$5,725,214</u>	<u>\$5,653,823</u>	<u>\$ 71,391</u>

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

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

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate 6.75%	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$866,743	\$71,391	\$(581,310)

Pension Plan Fiduciary Net Position

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

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

5. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the City recognized pension expense of \$50,221.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 57,957	\$ 46,990
Change in assumptions	12,782	
Difference between projected and actual investment earnings	295,653	469,287
Contributions subsequent to the measurement date	<u>50,389</u>	<u>-</u>
Total	<u>\$416,781</u>	<u>\$516,277</u>

\$50,389 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2021	\$(60,355)
2022	(16,705)
2023	12,864
2024	<u>(85,689)</u>
Total	<u>\$(149,885)</u>

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE G – DEFINED OTHER POST-EMPLOYEMENT BENEFIT PLAN

1. Plan Description

The City of San Augustine participates in a single employer group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The fund provides group-term coverage to current and retired employees with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB Statement No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan.

2. Benefits Provided

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.

Membership

Inactive employees currently receiving benefit	12
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>29</u>
Total	<u>47</u>

3. Contributions – Contributions rates are as follows:

	<u>Employer</u>	<u>Retiree</u>
2018	.26%	.08%
2019	.24%	.09%

The City's contributions to the SDBF for the year ended June 30, 2019 was \$2,951.

4. Net OPEB Liability

City's Net OPEB Liability was measured as of December 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Discount rate	2.75%,
Retirees' share of benefit-related costs	\$0

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

All administrative expenses are paid through the OPEB Trust and accounted for under reporting requirements under GASB 75.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates for disabled retirees were based on the 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.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience over the four year period December 31, 2014 through December 31, 2018. They were first used in the December 2019 actuarial valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.75% was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019. 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 OPEB Liability.

Changes in the OPEB Liability

Balance at 12/31/2018	<u>\$89,231</u>
Changes for the year:	
Service cost	2,240
Interest on total OPEB liability	3,332
Change in benefit terms	-
Difference between expected and actual experience	636
Changes of assumptions	17,540
Benefit payments *	<u>(1,061)</u>
Net changes	<u>22,687</u>
Balance at 12/31/2019	<u>\$111,918</u>

- Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.75, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1.0% Decrease in Discount Rate (1.75%)</u>	<u>Discount Rate 2.75%</u>	<u>1.0% Increase in Discount Rate (3.75%)</u>
City's OPEB liability	\$135,080	\$111,918	\$94,134

5. OPEB Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$9,863.

Service cost	\$ 2,240
Interest on total OPEB liability	3,332
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	438
Changes in assumptions or other inputs	<u>3,853</u>
Total OPEB expense	<u>\$9,863</u>

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,388	\$ -
Changes in actuarial assumptions	12,784	-
Contributions subsequent to the measurement date	<u>1,600</u>	<u>-</u>
Total	<u>\$ 15,772</u>	<u>\$ -</u>

\$1,600 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2021	\$ 4,291
2022	4,195
2023	2,978
2024	<u>2,708</u>
Total	<u>\$ 14,172</u>

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE H – VACATION LEAVE AND SICK LEAVE

Unused vacation leave and sick leave are allowed to accumulate and are paid upon employee's termination. At June 30, 2020 and 2019, \$208,981 and \$246,224 of unpaid vacation leave, sick leave, and "comp time" liability has been recorded. Changes in the accumulated liabilities are shown below:

	Proprietary Fund	General Fund Long-Term
Balance at July 1, 2019	\$ 86,318	\$ 159,906
Net Change	11,976	(49,219)
Balance at June 30, 2020	<u>\$ 98,294</u>	<u>\$ 110,687</u>

NOTE I – LONG-TERM LIABILITIES PROPRIETARY FUND

The following is a summary of the City's Proprietary Fund long-term debt transactions for the year ended June 30, 2020:

	Debt Outstanding July 1, 2019	Additions	Reductions	Debt Outstanding June 30, 2020	Due in One Year
Backhoe Note Payable	\$ 72,601	\$ -	\$ 28,119	\$ 44,482	\$29,338
Compensated Absences	86,318	11,976	-	98,294	
Net Pension Liability	146,168	-	118,326	27,842	-
Net OPEB Liability	<u>34,800</u>	<u>8,848</u>	<u>-</u>	<u>43,648</u>	<u>-</u>
Total Proprietary Fund Debt	<u>\$ 339,887</u>	<u>\$ 20,824</u>	<u>\$ 146,445</u>	<u>\$ 214,266</u>	<u>\$ 29,338</u>

The Tax Anticipation Note 2018 has an available line of credit of \$150,000 which was unused during the year ended June 30, 2020. The collateral on the direct debt is the full faith and credit of the City. The collateral for the equipment backhoe note is the backhoe.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J – LONG-TERM GOVERNMENTAL ACTIVITIES

The following is summary of the City's governmental activities long-term debt transactions for the year ended June 30, 2020:

	Debt Outstanding July 1, 2019	Additions	Reductions	Debt Outstanding June 30, 2020	Due In One Year
Certificates of Obligation	\$ 1,240,000	\$ -	\$ 70,000	\$ 1,170,000	\$130,000
Bonds	55,000	-	55,000	-	-
Notes Payable	-	24,169	7,792	16,377	8,462
Compensated Absences	159,906	-	49,219	110,687	-
Net Pension Liability	228,623	-	185,074	43,549	-
Net OPEB Liability	54,431	13,839	-	68,270	-
Total Long-Term Debt	<u>\$ 1,737,960</u>	<u>\$ 38,008</u>	<u>\$ 367,085</u>	<u>\$ 1,408,883</u>	<u>\$138,462</u>

Debt outstanding as of June 30, 2020, consisted of the following:

	Interest Rate	Maturity Date	Original Amount	Amount Outstanding
Certificate of Obligation				
2011 Series	2.32%	2022	\$ 500,000	\$ 165,000
2010 Series	0%	2040	1,050,000	1,005,000
Auto Note Payable	3.25%	2022	24,169	<u>16,377</u>
Total Bonds and Certificates of Obligation				<u>\$1,186,377</u>

The collateral on the direct debt is the full faith and credit of the City.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Presented below is a summary of total debt service requirements to maturity by years:

Year Ending June 30	Principal	Interest
2021	\$ 138,049	\$4,241
2022	143,328	2,119
2023	50,000	-
2024	50,000	-
2025	50,000	-
2026-2030	250,000	-
2031-2035	250,000	-
2036-2040	<u>255,000</u>	-
Total	<u>\$1,186,377</u>	<u>\$6,360</u>

The City was in compliance with all long-term debt covenants at June 30, 2020.

NOTE K –HEALTH CARE COVERAGE

During the year June 30, 2020 employees of the City of San Augustine were covered by a health insurance plan (the Plan). The City pays 100% of employee’s premiums each month. If the employee chooses to have his/her dependents covered by the Plan, the City pays 20% of the total premium for that family. All premiums were paid to a licensed insurer, Texas Municipal League. The City continues to work to reduce out-of-pocket expenses for its employees.

The contract between the City and the licensed insurer is renewable in January, 2021, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Texas Municipal League are available for the year ended December 31, 2019, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

NOTE L –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 employers; and natural disasters.

Members purchase workers’ compensation coverage through Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$750,000 for the year 2019-2020. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves.

The members of Deep East Texas Self Insurance Fund have no known premium liabilities for workers’ compensation coverage in excess of the contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund’s liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to more than cover 100% of all liabilities.

CITY OF SAN AUGUSTINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The City continues to carry commercial insurance for all other risks of loss, including commercial building and property, vehicle collision and comprehensive, and City personnel and City Council errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M –COMMITMENTS AND COMTEGENCIES

Grants

The City participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

NOTE N - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2020, consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	System	\$35,642	Cash deposit corrections

2. Transfers To and From Other Funds

Transfers to and from other funds for the year ended June 30, 2020, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	System Fund	\$ 8,184	Operating Purposes
System Fund	General Fund	500,894	In Lieu of Taxes
System Fund	Debt Service	<u>138,000</u>	Debt Service
		<u>\$647,078</u>	

NOTE O –LITIGATION

From time to time, the City is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the City’s management, the outcome of any present legal proceedings will not have materially adverse effect on the accompanying basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN AUGUSTINE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FROM FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:				
Property Taxes	\$ 388,000	\$ 388,000	\$ 390,582	\$ 2,582
Garbage Collection	201,600	201,600	206,854	5,254
Other Local Taxes and Permits	506,500	506,500	604,337	97,837
Fines and Parking	51,700	51,700	24,081	(27,619)
Interest Income	-	-	37	37
Miscellaneous	33,371	33,371	80,780	47,409
Donations and Grants	-	-	187,424	187,424
TOTAL REVENUES	1,181,171	1,181,171	1,494,095	312,924
EXPENDITURES:				
City Council	53,887	53,887	35,383	18,504
Administrative Department	281,659	281,659	270,650	11,009
Street Department	241,159	241,159	197,131	44,028
Sanitation Department	157,739	157,739	163,045	(5,306)
Fire Department	146,407	146,407	94,064	52,343
Police Department	687,975	687,975	629,778	58,197
Corporation Court	60,193	60,193	38,049	22,144
Municipal Buildings	18,908	18,908	12,953	5,955
Library Department	164,291	164,291	133,131	31,160
Multi-Purpose Center	10,064	10,064	4,757	5,307
Mission Delores	475	475	-	475
Main Street Program	107,302	107,302	85,061	22,241
Tourism Center	13,259	13,259	12,839	420
Park Maintenance	20,670	20,670	10,044	10,626
Miscellaneous	-	-	4,931	(4,931)
Grant Repairs and Improvements	-	-	224,184	(224,184)
Capital Outlay	-	-	5,000	(5,000)
Debt Service:				
Principal Retirement	-	-	7,792	(7,792)
Interest and Fiscal Charges	-	-	670	(670)
TOTAL EXPENDITURES	1,963,988	1,963,988	1,929,462	34,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(782,817)</u>	<u>(782,817)</u>	<u>(435,367)</u>	<u>347,450</u>
OTHER FINANCING SOURCES (USES):				
Payments in Lieu of Taxes	670,846	670,846	500,894	169,952
Transfers In (Out)	-	-	(8,184)	8,184
TOTAL OTHER FINANCING SOURCES (USES)	670,846	670,846	492,710	178,136
Change in Fund Balance	(111,971)	(111,971)	57,343	169,314
Fund Balance at Beginning of Year	<u>376,597</u>	<u>376,597</u>	<u>376,597</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ 264,626	\$ 264,626	\$ 433,940	\$ 169,314

CITY OF SAN AUGUSTINE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

Note A - Budgetary information

The City Council adopts an annual operating budget, which can be amended by the City Council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City; however, legal budgets are adopted only for the general fund, debt service fund, and capital projects funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The City Council follows these procedures as prescribed by the City Charter in establishing the budgets reflected in the accompanying combined financial statements:

1. At least thirty days prior to the Commission making its tax levy for the fiscal year, the City Manager shall file a copy of the proposed budget with the City Secretary. The City Secretary shall make the proposed budget available for the inspection by any taxpayer.
2. The City Council shall provide for a public hearing, which shall take place on some date not less than fifteen days subsequent to the time the budget is filed, to obtain taxpayers comments. At the conclusion of such hearing, the budget shall be acted upon by the City Council.

The legal level of budgetary control in the general fund is the department level. In the debt service fund and the capital projects funds, budgetary control is at the fund level. However, the City Council may, upon the recommendation of the Mayor, transfer any appropriation balance or any portion thereof from one department to another. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments. With the Mayor's approval, the budget may be amended within a department without seeking the approval of the City Council.

	Excess <u>Expenditures</u>
General Fund:	
Departments:	
Sanitation	\$5,306
Miscellaneous	4,931
Grant Repairs and Improvements	224,184
Debt Service	5,000

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 2,240	\$ 2,497	\$ 2,281
Interest (on the Total Pension Liability)	3,332	2,984	2,980
Changes in benefit terms	-	-	-
Difference between expected and actual experience	636	1,493	-
Change of assumptions	17,540	(6,202)	6,799
Benefit payments, including refunds of employee contributions	(1,061)	(908)	(798)
Net Change in Total OPEB Liability	22,687	(136)	11,262
Total OPEB Liability - Beginning	89,231	89,367	78,105
Total OPEB Liability - Ending (a)	\$ 111,918	\$ 89,231	\$ 89,367
Covered Employee Payroll	\$ 1,178,727	\$ 1,134,862	\$ 1,140,638
Net OPEB Liability as a Percentage of Covered Employee Payroll	9.49%	7.86%	7.83%

Notes to Schedule:

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions to retirees.

* Ten years of data will be accumulated beginning with 2018.

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 170,444	\$ 164,669	\$ 170,297	\$ 162,835	\$ 146,847	\$ 144,222
Interest (on the Total Pension Liability)	356,336	336,600	340,031	316,556	309,910	317,052
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	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	(204,441)	(188,984)	(209,491)	(178,109)	(172,965)	(282,455)
Net Change in Total Pension Liability	429,169	297,228	(58,274)	359,739	257,009	(158,084)
Total Pension Liability - Beginning	5,296,045	4,998,817	5,057,091	4,697,352	4,440,343	4,598,427
Total Pension Liability - Ending (a)	\$ 5,725,214	\$ 5,296,045	\$ 4,998,817	\$ 5,057,091	\$ 4,697,352	\$ 4,440,343
Plan Fiduciary Net Position						
Contributions - Employer	\$ 98,306	\$ 128,449	\$ 125,698	\$ 110,489	\$ 116,068	\$ 133,532
Contributions - Employee	82,511	79,440	79,845	75,939	72,237	76,633
Net Investment Income	760,621	(151,418)	616,389	281,251	6,115	228,276
Benefit payments, including refunds of employee contributions	(204,441)	(188,984)	(209,491)	(178,109)	(172,965)	(282,455)
Administrative expense	(4,299)	(2,928)	(3,195)	(3,176)	(3,724)	(2,383)
Other	(129)	(152)	(162)	(171)	(186)	(196)
Net Change in Plan Fiduciary Net Position	732,569	(135,593)	609,084	286,223	17,545	153,407
Plan Fiduciary Net Position - Beginning	4,921,254	5,056,847	4,447,763	4,161,540	4,143,995	3,990,588
Plan Fiduciary Net Position - Ending (b)	\$ 5,653,823	\$ 4,921,254	\$ 5,056,847	\$ 4,447,763	\$ 4,161,540	\$ 4,143,995
Net Pension Liability - Ending (a) - (b)	71,391	374,791	(58,030)	609,328	535,812	296,348
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.75%	92.92%	101.16%	87.95%	88.59%	93.33%
Covered Employee Payroll	\$ 1,178,727	\$ 1,134,862	\$ 1,140,638	\$ 1,084,843	\$ 1,031,954	\$ 1,094,758
Net Pension Liability as a Percentage of Covered Employee Payroll	6.06%	33.03%	-5.09%	56.17%	51.92%	27.07%

Notes to Schedule:

N/A

* Ten years of data will be accumulated beginning with 2015.

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

	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 98,306	\$ 128,449	\$ 123,182	\$ 121,403	\$ 114,066	\$ 120,393
Contributions in relation to the actuarially determined contribution	<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>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ <u>1,178,727</u>	\$ <u>1,134,862</u>	\$ <u>1,102,613</u>	\$ <u>1,143,961</u>	\$ <u>1,063,213</u>	\$ <u>1,004,127</u>
Contributions as a percentage of covered employee payroll	<u>8.34%</u>	<u>11.32%</u>	<u>11.17%</u>	<u>10.61%</u>	<u>10.73%</u>	<u>11.99%</u>

Notes to Schedule of Contributions

Valuation date: Actuarially determined contribution rates are calculated as of
Notes December 31 and become effective January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience- based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SAN AUGUSTINE, TEXAS
SCHEDULE OF DEPARTMENTAL NET OPERATING INCOME
(BEFORE DEPRECIATION) - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ELECTRIC DEPARTMENT	WATER & SEWER DEPARTMENT	TOTAL
Operating Revenues			
Electric	\$ 2,589,554		\$ 2,589,554
Water		\$ 1,037,898	1,037,898
Sewer		419,019	419,019
Tapping Fees		1,490	1,490
Penalties		97,199	97,199
Other Charges for Services		1,416	1,416
Miscellaneous		9,359	9,359
Total Operating Revenues	<u>2,589,554</u>	<u>1,566,381</u>	<u>4,155,935</u>
Operating Expenses			
Administration	121,007	121,007	242,014
Water production & treatment		693,021	693,021
Water distribution		184,244	184,244
Sewer collection		94,372	94,372
Sewer treatment		220,383	220,383
Electric department	1,843,213		1,843,213
Total Operating Expense (Excluding Depreciation)	<u>1,964,220</u>	<u>1,313,027</u>	<u>3,277,247</u>
Net Operating Income Before Depreciation	<u>\$ 625,334</u>	<u>\$ 253,354</u>	<u>\$ 878,688</u>

CITY OF SAN AUGUSTINE, TEXAS
COMPARATIVE SCHEDULE OF DEPARTMENT EXPENSES - PROPRIETARY
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2020</u>	<u>2019</u>
Administration		
Salaries and wages	\$ 120,414	\$ 115,740
Supplies	5,223	7,949
Contractual	72,344	62,517
Maintenance - equipment	821	3,180
Sundry charges	<u>43,212</u>	<u>45,096</u>
Total	<u>242,014</u>	<u>234,482</u>
Water Treatment and Production		
Salaries and wages	142,167	97,673
Supplies	264,115	260,058
Contractual	109,307	91,078
Maintenance - buildings & structures	48,759	58,382
Maintenance - equipment	79,622	90,754
Sundry charges	<u>49,051</u>	<u>45,330</u>
Total	<u>693,021</u>	<u>643,275</u>
Water distribution		
Salaries and wages	46,314	46,055
Supplies	36,696	42,817
Contractual	48,595	50,862
Maintenance - buildings & structures	15,665	56,063
Maintenance - equipment	17,424	981
Sundry charges	<u>19,550</u>	<u>18,174</u>
Total	<u>184,244</u>	<u>214,952</u>
Sewer Collection		
Salaries and wages	41,794	44,996
Supplies	9,023	5,497
Contractual	10,942	9,413
Maintenance - buildings & structures	8,150	26,064
Maintenance - equipment	5,991	13,848
Sundry charges	<u>18,472</u>	<u>20,852</u>
Total	<u>94,372</u>	<u>120,670</u>

	<u>2020</u>	<u>2019</u>
Sewer Treatment		
Salaries	\$ 75,889	\$ 92,366
Supplies	17,797	19,201
Contractual	55,975	60,104
Maintenance - buildings & structures	1,624	437
Maintenance - equipment	44,170	47,057
Sundry charges	24,928	31,501
Total	<u>220,383</u>	<u>250,666</u>
Electric Department		
Salaries and wages	134,075	146,189
Supplies	56,775	72,098
Contractual	1,586,607	1,814,971
Maintenance - equipment	27,700	56,783
Sundry charges	38,056	45,772
Total	<u>1,843,213</u>	<u>2,135,813</u>
Depreciation	<u>264,104</u>	<u>265,885</u>
Total Operating Expenses	<u><u>\$ 3,541,351</u></u>	<u><u>\$ 3,865,743</u></u>

CITY OF SAN AUGUSTINE, TEXAS
COMPARATIVE SCHEDULE OF DEPARTMENT EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

City Council	<u>2020</u>	<u>2019</u>
Mayor and council fees and wages	\$ 8,400	\$ 8,300
Supplies	871	1,840
Contractual	25,244	28,775
Maintenance - equipment	184	1,848
Sundry charges	<u>684</u>	<u>588</u>
Total	<u>35,383</u>	<u>41,351</u>
Administrative Department		
Salaries and wages	127,324	116,127
Supplies	5,184	10,429
Contractual	94,122	110,927
Maintenance - buildings & structures	-	2,531
Maintenance - equipment	75	290
Sundry charges	<u>43,945</u>	<u>43,126</u>
Total	<u>270,650</u>	<u>283,430</u>
Street Department		
Salaries and wages	52,329	50,100
Supplies	15,418	14,766
Contractual	30,842	13,858
Maintenance - buildings & structures	42,232	21,334
Maintenance - equipment	29,805	13,604
Sundry charges	<u>26,505</u>	<u>34,383</u>
Total	<u>197,131</u>	<u>148,045</u>
Sanitation Department		
Contractual	163,045	156,980
Maintenance - buildings & structures	-	-
Maintenance - equipment	<u>-</u>	<u>-</u>
Total	<u>163,045</u>	<u>156,980</u>
Fire Department		
Salaries and wages	39,368	75,847
Supplies	6,495	7,110
Contractual	23,483	15,264
Maintenance - buildings & structures	5,006	340
Maintenance - equipment	5,022	9,525
Sundry charges	<u>14,690</u>	<u>17,901</u>
Total	<u>94,064</u>	<u>125,987</u>
Police Department		
Salaries and wages	420,836	377,336
Supplies	15,923	17,121
Contractual	29,115	29,627
Maintenance - buildings and structures	656	806
Maintenance - equipment	16,411	9,887
Sundry charges	<u>146,837</u>	<u>148,560</u>
Total	<u>629,778</u>	<u>583,337</u>

	2020	2019
Corporation Court		
Salaries and wages	\$ 16,500	\$ 29,149
Supplies	1,972	1,119
Contractual	17,477	40,406
Maintenance - equipment	2,100	8,709
Sundry charges	-	-
Total	38,049	79,383
Municipal Buildings		
Salaries and wages	885	1,326
Supplies	798	1,471
Contractual	2,566	2,497
Maintenance - buildings & structures	7,878	2,859
Sundry charges	826	907
Total	12,953	9,060
Library Department		
Salaries and wages	77,872	87,008
Supplies	1,864	1,959
Contractual	21,278	19,414
Maintenance - buildings & structures	2,919	2,049
Maintenance - equipment	2,238	1,667
Sundry charges	26,960	29,783
Total	133,131	141,880
Multi-Purpose Center		
Salaries and wages	243	259
Supplies	-	17
Contractual	3,037	3,224
Maintenance - buildings & structures	780	14,052
Sundry charges	697	611
Total	4,757	18,163
Mission Delores		
Salaries and wages	-	-
Supplies	-	-
Contractual	-	17,209
Maintenance - buildings & structures	-	-
Maintenance - equipment	-	-
Sundry	-	-
Total	0	17,209

CITY OF SAN AUGUSTINE, TEXAS
COMPARATIVE SCHEDULE OF DEPARTMENT EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2020</u>	<u>2019</u>
Main Street Program		
Salaries and wages	34,616	33,672
Supplies	760	434
Contractual	36,216	4,846
Sundry	13,469	16,301
	<u>85,061</u>	<u>55,253</u>
Tourism Center		
Salaries and wages	327	662
Supplies	-	14
Contractual	8,318	8,636
Maintenance - buildings and grounds	3,485	4,223
Sundry	709	644
	<u>12,839</u>	<u>14,179</u>
Park Maintenance		
Salaries and wages	-	-
Supplies	-	-
Contractual	-	-
Maintenance - buildings and grounds	9,360	-
Sundry	684	-
	<u>10,044</u>	<u>0</u>
Departmental Total Expenditures	<u>\$ 1,686,885</u>	<u>\$ 1,674,257</u>

CITY OF SAN AUGUSTINE, TEXAS
OTHER DATA
FOR THE YEAR ENDED JUNE 30, 2020
UNAUDITED

Cash balance of General Obligation debt service funds:

Interest and Sinking Fund Cash \$ 115,966

Assessed valuation for 2019 tax year: \$64,295,016

Ad valorem tax rate for 2019 tax year: \$0.606687/\$100 valuation

2019 tax year collections, including penalty and interest: \$340,355

Insurance Coverage	Description of Coverage	Amount
Texas Municipal League	Automobile liability	\$ 1,000,000
Texas Municipal League	Real and personal property	\$ 11,094,354
Texas Municipal League	General liability	\$ 2,000,000
Texas Municipal League	Equipment coverage	\$ 424,046
Texas Municipal League	Crime-Employee dishonesty coverage	\$ 25,000
Texas Municipal League	Law enforcement liability	\$ 2,000,000
Texas Municipal League	Errors and omissions	\$ 2,000,000
Texas Municipal League	Forgery and alteration	\$ 25,000
Texas Municipal League	Theft disappearance and destruction	\$ 50,000
Texas Municipal League	Public employee dishonesty	\$ 50,000
Texas Municipal League	Computer fraud	\$ 25,000
Texas Municipal League	Boiler and machinery	\$ 500,000

System connections - The records of the City indicated that there were 1,092 water connections, 761 sewer connections and 1,098 electricity connections at June 30, 2020.

CITY OF SAN AUGUSTINE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Other Local Taxes and Permits	\$ -	\$ -	\$ 30	\$ 30
Total Revenues	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
EXPENDITURES:				
Current:				
Payments on Long-Term Debt	131,902	131,902	131,820	82
Total Payments on Long-Term Debt	<u>131,902</u>	<u>131,902</u>	<u>131,820</u>	<u>82</u>
Other Financing Sources and (Uses)				
Operating Transfer In	138,000	138,000	138,000	-
Operating Transfer Out	(80,500)	(80,500)	-	(80,500)
Total Other Financing Sources and (Uses)	<u>57,500</u>	<u>57,500</u>	<u>138,000</u>	<u>(80,500)</u>
Net Change in Fund Balance	(74,402)	(74,402)	6,210	(80,418)
Fund Balance - September 1 (Beginning)	<u>109,756</u>	<u>109,756</u>	<u>109,756</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 35,354</u>	<u>\$ 35,354</u>	<u>\$ 115,966</u>	<u>\$ (80,418)</u>

REPORT ON INTERNAL CONTROLS AND ON COMPLIANCE

TILLER AND COMPANY

A PROFESSIONAL CORPORATION OF
CERTIFIED PUBLIC ACCOUNTANTS

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
City Council Members of the
City of San Augustine, Texas:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of San Augustine, Texas (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2020.

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) as a basis for designing 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.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge with governance.

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

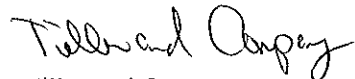
Compliance and Other Matters

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

Honorable Mayor and
City Council Members
City of San Augustine, Texas
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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.



Tiller and Company
A Professional Corporation of
Certified Public Accountants

San Augustine, Texas
December 7, 2020