CITY OF SAN SABA, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of San Saba, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Saba, Texas, as of September 30, 2021, 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 and budgetary comparison information on pages 3-8 and 56-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City's internal control over financial reporting and compliance.

Kevin Shahan, CPA
San Saba, Texas
December 5, 2021

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

In this section of the Annual Financial Report, we, the managers of the City of San Saba, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the Independent Auditors' Report on page 1 and the City's Basic Financial Statements, which begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position (Exhibits A-1 and B-1). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (Exhibits C-1 through C-4) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the electric, water, sewer, and garbage services it provides to citizens and other departments within the City.

The notes to the financial statements (starting on page 24) provide narrative explanations and additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position

The analysis of the City's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the City's financial condition has improved due to the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Revenues, Expenditures, and Changes in Net Position includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All the current year's revenues and expenses are considered regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position, we divided the City into the following three kinds of activities:

Reporting the City as a Whole – *Continued*

Governmental activities — Most of the City's basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.

Business-type activities — The City charges a fee to "customers" to help it cover all or most of the cost of services it provides for water, wastewater, sanitation, and electric services.

Component units — The City includes one separate legal entity in its report — the San Saba Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish specific funds, such as grants. The City's administration establishes many other funds to help it control and manage money for specified purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds. These types of funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds – The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position. The City's enterprise fund (one category of proprietary funds) is included in the business-type activities reported in the government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the City's governmental and business-type activities.

For the year ended September 30, 2021, net position of the City's governmental activities increased from $461,273 to $932,640, or 102.2%.

For the year ended September 30, 2021, net position of business-type activities increased from $6,896,852 to $7,591,360, or 10.0%.

The largest portion of the City's total net position, $5,483,042 (68.5%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements, and machinery and equipment), less any debt used to acquire those assets which remain outstanding. The City uses capital assets to provide services to citizens; consequently, such assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources necessary to repay this debt must be provided from other sources, since capital assets themselves often cannot be used to liquidate the related liabilities. An additional portion of the City's net

GOVERNMENT-WIDE FINANCIAL ANALYSIS – *Continued*

position of $582,883 (6.8%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position of $2,458,075 (28.8%) may be used to meet ongoing obligations to citizens and creditors. As of September 30, 2021, the City reported positive balances in all three categories of net position for the government.

Table I
City of San Saba, Texas
Net Position

	Year Ended September 30, 2021			Year Ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 375,012	$ 3,486,553	$ 3,861,565	$ 446,089	$ 2,883,768	$ 3,329,857
Capital assets, net	1,885,865	7,030,085	8,915,950	1,963,901	6,809,954	8,773,855
Total assets	2,260,877	10,516,638	12,777,515	2,409,990	9,693,722	12,103,712
Deferred outflows	118,021	75,847	193,868	-	-	-
Current liabilities	347,599	202,051	549,650	309,119	176,494	485,613
Noncurrent liabilities	1,025,864	2,799,074	3,824,938	1,262,642	2,529,299	3,791,941
Total liabilities	1,373,463	3,001,125	4,374,588	1,571,761	2,705,793	4,277,554
Deferred inflows	72,795	-	72,795	376,956	91,077	468,033
Net position						
Inv in Capital assets, net	878,758	4,604,284	5,483,042	809,583	4,675,712	5,485,295
Restricted for:						
Debt service	319,363	263,520	582,883	242,361	252,012	494,373
Unrestricted	(265,481)	2,723,556	2,458,075	(590,671)	1,969,128	1,378,457
Total net position	$ 932,640	$ 7,591,360	$ 8,524,000	$ 461,273	$ 6,896,852	$ 7,358,125

Analysis of the City's Operations

Governmental activities reported an increase in net position of $471,367, or 102.2%. Business-type activities reported an increase in net position in the amount of $694,508, or 10.0%. The governmental increase in net position is the result of a higher amount of funds transferred from the Enterprise Funds to the General Fund compared to the prior year, in addition to changes in the net pension liability and deferred inflows and outflows related to pensions. Operating transfers from Enterprise Funds to Governmental Funds in 2021 increased by $214,764, or 10.7% compared to 2020. Total governmental activities revenues of $1,760,940 (not including transfers) increased by 5.5% compared to the prior year, while governmental expenditures of $3,510,304 decreased by $320,344, or 8.3% compared to the prior year. The decrease in expenditures is mainly the result of decreased expenditures related to TMRS pension liability adjustments, as well as changes to deferred inflows and outflows of resources. The government-wide financial statements include this annual adjustment for the City's pension liability (as disclosed in Note VI) as of September 30, 2021. General government expenditures decreased $546,285, or 39.2% primarily for changes to the deferred inflows and outflows of resources and the pension liability adjustment. In addition, park and recreation expenditures increased by $97,387, or 9.6% for increases in park and recreation payroll and related expenditures as well as golf course expenditures. Public safety expenditures increased by $73,744, or 10.5% for increased payroll and related expenditures as well as

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

police and safety equipment and maintenance. Meanwhile, changes in revenues from the prior year saw combined property taxes, sales tax, other taxes and license and fee revenues increase by $91,638, or 5.5%.

Business-type activities reported an overall increase in service revenues from fiscal year 2020 to 2021 of $44,756, or 0.63%. Combined water and sewer revenues increased $172,251, or 8.4%, while electric operating revenues increased $69,685, or 1.5%. Garbage revenues increased $32,025, or 4.95%. Total operating expenses increased $281,064, or 6.4%, primarily related to increased power purchase expenditures for the Electric department of $290,774, or 14.25%. The following table provides a summary of the City's operations for the years ended September 30, 2021, and 2020.

Table II
City of San Saba, Texas
Change in Net Position

	Year Ended September 30, 2021			Year Ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 434,494	$ 7,101,417	$ 7,535,911	$ 364,010	$ 7,056,661	$ 7,420,671
Grant revenues	31,602	68,055	99,657	61,807	298,570	360,377
General revenues:						
Property taxes	419,273		419,273	413,248		413,248
Sales taxes	604,597		604,597	506,006		506,006
Other taxes	90,116		90,116	85,313		85,313
Licenses, fees, fines	55,394		55,394	46,454		46,454
Rents and royalties	52,684		52,684	73,305		73,305
Investment earnings	940	778	1,718	11,305	2,332	13,637
Other revenue	71,840	459,720	531,560	107,854		107,854
Transfer in (out)	2,220,731	(2,220,731)	-	2,005,967	(2,005,967)	-
Total revenues	3,981,671	5,409,239	9,390,910	3,675,269	5,351,596	9,026,865
Expenses:						
General government	845,358		845,358	1,391,643		1,391,643
Public safety	813,882		813,882	731,183		731,183
Streets	495,300		495,300	430,994		430,994
Parks and recreation	1,270,393		1,270,393	1,184,138		1,184,138
Public health	39,427		39,427	41,063		41,063
Interest expense	45,944	68,022	113,966	51,627	65,311	116,938
Utility fund expenses		4,646,709	4,646,709		4,365,645	4,365,645
Total expenses	3,510,304	4,714,731	8,225,035	3,830,648	4,430,956	8,261,604
Change in net position	471,367	694,508	1,165,875	(155,379)	920,640	765,261
Net position prior year	461,273	6,896,852	7,358,125	616,652	5,976,212	6,592,864
Net position current year	$ 932,640	$ 7,591,360	$ 8,524,000	$ 461,273	$ 6,896,852	$ 7,358,125

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of $151,587, a decrease of $18,274, or 10.7% from the prior year end balance of $169,861. The unassigned fund balance of $70,426 decreased $80,405, or 53.3% compared to the prior year's balance of $150,831. There were also restricted fund balances at the end of the fiscal year for water and wastewater funds due to water and wastewater system improvement reserve funds maintained as required by debt agreements. Future water and waste water improvements will be capitalized in the respective enterprise funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the City had $8,915,950 invested in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment, net of accumulated depreciation.

Table III
City of San Saba, Texas
Capital Assets

	Year ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total
Land	$ 427,814	$ 16,656	$ 444,470
Buildings and improvements	3,938,157	11,447,330	15,385,487
Machinery and equipment	2,662,629	3,228,195	5,890,824
	7,028,600	14,692,181	21,720,781
Less accumulated depreciation	(5,142,735)	(7,662,096)	(12,804,831)
Capital assets, net of depreciation	$ 1,885,865	$ 7,030,085	$ 8,915,950

	Year ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total
Land	$ 427,814	$ 16,656	$ 444,470
Buildings and improvements	3,920,042	11,324,365	15,244,407
Machinery and equipment	2,600,338	2,735,855	5,336,193
	6,948,194	14,076,876	21,025,070
Less accumulated depreciation	(4,984,293)	(7,266,922)	(12,251,215)
Capital assets, net of depreciation	$ 1,963,901	$ 6,809,954	$ 8,773,855

CAPITAL ASSET AND DEBT ADMINISTRATION – *Continued*

Outstanding Debt

As of September 30, 2021, the City had $3,960,529 in bonds, certificates of obligation, and capital leases outstanding versus $3,795,219 last year; an increase of 4.4% as follows:

Table IV
City of San Saba, Texas
Outstanding Debt

	Year ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total
Capital leases	$ 378,703	$ 749,677	$ 1,128,380
Bonds payable		78,000	78,000
Certificates of obligation	640,000	1,594,026	2,234,026
Customer deposits		334,528	334,528
Transfer site liability		34,175	34,175
Compensated absences	95,516	55,904	151,420
Total	$ 1,114,219	$ 2,846,310	$ 3,960,529

	Year ended September 30, 2020		
	Governmental Activities	Business-Type Activities	Total
Capital leases	$ 322,652	$ 408,543	$ 731,195
Bonds payable		101,000	101,000
Certificates of obligation	850,000	1,622,026	2,472,026
Customer deposits		315,865	315,865
Transfer site liability		30,864	30,864
Compensated absences	94,027	50,242	144,269
Total	$ 1,266,679	$ 2,528,540	$ 3,795,219

Other obligations include compensated absences and customer deposits. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customer, and investors and creditors with a general overview of the City's finances and to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at the City of San Saba, Texas, 303 S Clear Street, San Saba, Texas 78677.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government			
	Governmental Activities	Business-type Activities	Total	San Saba Economic Dev Corp Fund
Assets				
Current assets:				
Cash and cash equivalents	$ 280,212	$ 2,159,182	$ 2,439,394	$ 249,162
Investments – current	-	248,677	248,677	-
Receivables (net of allowance)	73,729	781,349	855,078	-
Inventories	-	297,345	297,345	-
Debt issuance costs, net	13,000	-	13,000	-
Due from other funds	8,071	-	8,071	-
Total current assets	375,012	3,486,553	3,861,565	249,162
Capital assets:				
Land	427,814	16,656	444,470	200,000
Building and improvements	3,938,157	11,447,330	15,385,487	417,341
Machinery and equipment	2,662,629	3,228,195	5,890,824	71,410
Accumulated depreciation	(5,142,735)	(7,662,096)	(12,804,831)	(320,243)
Net capital assets	1,885,865	7,030,085	8,915,950	368,508
Total assets	2,260,877	10,516,638	12,777,515	617,670
Deferred outflows of resources				
Deferred outflows for pensions	118,021	75,847	193,868	-
Total deferred outflow of resources	118,021	75,847	193,868	-
LIABILITIES				
Accounts payable and other current liabilities	16,475	-	16,475	-
Accrued interest payable	8,245	4,098	12,343	-
Capital lease and debt obligations current portion	322,879	197,953	520,832	36,089
Total current liabilities	347,599	202,051	549,650	36,089
Noncurrent liabilities:				
Capital lease and debt obligations	695,824	2,223,750	2,919,574	46,100
Net pension liability	234,524	150,717	385,241	-
Other noncurrent liabilities	95,516	424,607	520,123	-
Total noncurrent liabilities	1,025,864	2,799,074	3,824,938	46,100
Total liabilities	1,373,463	3,001,125	4,374,588	82,189
Deferred inflows of resources				
Deferred ad valorem tax revenues	72,795	-	72,795	-
Total deferred inflow of resources	72,795	-	72,795	-
NET POSITION				
Net investment in capital assets	878,758	4,604,284	5,483,042	286,319
Restricted for:				
Debt service	319,363	263,520	582,883	-
Unrestricted	(265,481)	2,723,556	2,458,075	249,162
Total net position	$ 932,640	$ 7,591,360	$ 8,524,000	$ 535,481

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

CITY OF SAN SABA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
GOVERNMENTAL ACTIVITIES:				
General government	$ 845,358	$	$ 31,602	
Public safety	813,882			
Streets	495,300			
Public health and welfare	39,427			
Parks and recreation	1,270,393	434,494		
Interest on debt	45,944			
	3,510,304	434,494	31,602	-
BUSINESS-TYPE ACTIVITIES				
Utility fund	4,646,709	7,101,417		68,055
	4,646,709	7,101,417	-	68,055
TOTAL PRIMARY GOVERNMENT	$ 8,157,013	$ 7,535,911	$ 31,602	$ 68,055
COMPONENT UNIT				
Component unit	163,557			
TOTAL COMPONENT UNIT	$ 163,557	$	$	$

General Revenues:
- Taxes:
  - Property taxes levied for general purposes
  - Sales tax
  - Other taxes and franchise fees
  - Penalty and interest
- Licenses and permits
- Fines
- Rents and royalties
- Miscellaneous revenues
- Investment income
- Transfers in (out)

Total general revenues and transfers

Change in net position
Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	San Saba Economic Dev Corp Fund
$ (813,756)	$	$ (813,756)	$
(813,882)		(813,882)	
(495,300)		(495,300)	
(39,427)		(39,427)	
(835,899)		(835,899)	
(45,944)	(68,022)	(113,966)	
(3,044,208)	(68,022)	(3,112,230)	
	2,522,763	2,522,763	
	2,522,763	2,522,763	
$ (3,044,208)	$ 2,454,741	$ (589,467)	$
			$ (163,557)
$	$	$	$ (163,557)
419,273		419,273	
604,597		604,597	198,854
77,066		77,066	
13,050		13,050	
11,179		11,179	
44,215		44,215	
52,684		52,684	
71,840	459,720	531,560	11,571
940	778	1,718	113
2,220,731	(2,220,731)	-	
$ 3,515,575	$ (1,760,233)	$ 1,755,342	$ 210,538
471,367	694,508	1,165,875	46,981
461,273	6,896,852	7,358,125	488,500
$ 932,640	$ 7,591,360	$ 8,524,000	$ 535,481

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	$ 90,730	$ 92,318	$ 183,048
Taxes receivable	73,729	205,000	278,729
Other current assets	1,230	6,841	8,071
Total Assets	$ 165,689	$ 304,159	$ 469,848
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 18,625	$ 6,841	$ 25,466
Total Liabilities	18,625	6,841	25,466
Deferred inflow of resources			
Deferred ad valorem taxes	72,795	205,000	277,795
Total deferred inflow of resources	72,795	205,000	277,795
Fund Balances:			
Restricted for debt service		77,318	77,318
Assigned to:			
Fire department	1,902		1,902
Park lights	1,941		1,941
Unassigned	70,426		70,426
Total Fund Balances	74,269	77,318	151,587
Total Liabilities and Fund Balances	$ 165,689	$ 289,159	$ 454,848

The accompanying notes are integral part of the financial statements.

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

Total Fund Balances - Governmental Funds	$ 151,587
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $6,948,194 and the accumulated depreciation was $4,984,293. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	291,412
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt payments is to increase net position.	364,922
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	228,873
Included in noncurrent liabilities is the recognition of the City's share of the net pension liability required by GASB 68 in the amount of $234,524. Also included in the statement of net position are deferred outflows in the amount of $118,021, which increased compared to the prior year balance of deferred inflows. Additionally, changes in pension expense have been included, which results in a current year decrease in net position.	(190,322)
Various other reclassifications and eliminations are necessary to convert from the modified accural basis of accounting to the the accrual basis of accounting. These include eliminating interfund transactions, reclassifying the capitalization of construction in progress, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	86,168
Net Position of Governmental Activities	$ 932,640

The accompanying notes are integral part of the financial statements.

CITY OF SAN SABA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property taxes	$ 109,402	$ 322,921	$ 432,323
General sales and use taxes	604,597		604,597
Other taxes and franchise fees	77,066		77,066
Licenses and permits	11,179		11,179
Charges for services	434,494		434,494
Fines	44,215		44,215
Investment income	206	734	940
Rents and royalties	52,684		52,684
Grant income	31,602		31,602
Other revenues	71,840		71,840
Total Revenues	1,437,285	323,655	1,760,940
EXPENDITURES:			
Current:			
General government	1,212,527	550	1,213,077
Public safety	770,205		770,205
Streets	392,123		392,123
Parks and recreation	1,110,738		1,110,738
Public health	29,256		29,256
Debt service:			
Principal	74,516	210,000	284,516
Interest and fiscal charges	12,096	33,298	45,394
Capital Outlay:			
Capital outlay	80,406		80,406
Total Expenditures	3,681,867	243,848	3,925,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,244,582)	79,807	(2,164,775)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	2,164,306	(17,805)	2,146,501
Total Other Financing Sources and (Uses)	2,164,306	(17,805)	2,146,501
NET CHANGES IN FUND BALANCES	(80,276)	62,002	(18,274)
Fund Balance - October 1 (Beginning)	154,545	15,316	169,861
Fund Balance - September 30 (Ending)	$ 74,269	$ 77,318	$ 151,587

The accompanying notes are integral part of the financial statements.

CITY OF SAN SABA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	$ (18,274)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt payments is to increase net position.	364,922
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	228,873
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflow. The annual change in contributions made after the TMRS measurement date of 12/31/2020 caused the ending net position to increase by $13,040. Also, the change in contributions made before the measurement date, but during 2020-2021 FY, were de-expended and recorded as a reduction in the net pension liability of the City, which decreased net position by $5,064. The City recorded its share of pension expense of $113,214 during the measurement period as part of the net pension liability. The annual changes related to the impact of the implementation of GASB 68 is to decrease net position by $190,322.	(190,322)
Various other reclassifications and eliminations are necessary to convert from the modified accural basis of accounting to the the accrual basis of accounting. These include eliminating interfund transactions, reclassifying the proceeds of general obligation debt as an increase in long-term debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	86,168
Change in Net Position of Governmental Funds	$ 471,367

PROPRIETARY FUND FINANCIAL STATEMENTS

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CITY OF SAN SABA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	TOTAL
ASSETS					
Current Assets					
Cash and cash equivalents	$ 750,337	$ 554,539	$ 740,211	$ 114,095	$ 2,159,182
Investments - current	58,157	86,731	103,789	-	248,677
Accounts receivable - net of uncollectible accounts	104,641	68,614	542,053	66,041	781,349
Inventories	81,530	6,804	209,011	-	297,345
Total current assets	994,665	716,688	1,595,064	180,136	3,486,553
Non-current Assets					
Capital assets:					
Land	-	14,206	2,450	-	16,656
Buildings and improvements	4,312,021	4,589,615	2,501,950	43,744	11,447,330
Machinery and equipment	409,751	891,274	1,026,663	900,507	3,228,195
Accumulated depreciation	(1,800,772)	(2,821,684)	(2,265,265)	(774,375)	(7,662,096)
Total non-current assets	2,921,000	2,673,411	1,265,798	169,876	7,030,085
Total Assets	3,915,665	3,390,099	2,860,862	350,012	10,516,638
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	11,933	11,897	31,433	20,584	75,847
Total deferred outflows of resources	11,933	11,897	31,433	20,584	75,847
LIABILITIES					
Accrued interest payable	4,098	-	-	-	4,098
Revenue bonds & notes payable - current	53,000	-	-	-	53,000
Capital leases payable - current	24,908	35,760	39,056	45,229	144,953
Other current liabilities	-	-	-	-	-
Total current liabilities	82,006	35,760	39,056	45,229	202,051
Non-current liabilities					
Revenue bonds and notes payable	1,619,026	-	-	-	1,619,026
Capital leases payable	25,001	376,590	110,457	92,676	604,724
Customer deposits	149,592	-	184,936	-	334,528
Net pension liability	23,712	23,640	62,462	40,903	150,717
Other non-current liabilities	12,522	7,269	22,459	47,829	90,079
Total non-current liabilities	1,829,853	407,499	380,314	181,408	2,799,074
Total Liabilities	1,911,859	443,259	419,370	226,637	3,001,125
NET POSITION					
Net investment in capital assets	1,194,967	2,261,061	1,116,285	31,971	4,604,284
Restricted for debt service	237,603	1,110	24,807	-	263,520
Unrestricted	583,169	696,566	1,331,833	111,988	2,723,556
Total Net Position	$ 2,015,739	$ 2,958,737	$ 2,472,925	$ 143,959	$ 7,591,360

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

CITY OF SAN SABA, TEXAS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	TOTAL
OPERATING REVENUES					
Charges for services	$ 1,065,724	$ 632,400	$ 4,724,328	$ 678,965	$ 7,101,417
• Grant revenues	68,055	-	-	-	68,055
Other revenues	402,025	57,695	-	-	459,720
Total operating revenues	1,535,804	690,095	4,724,328	678,965	7,629,192
OPERATING EXPENSES					
Salaries and wages	137,552	137,137	362,336	237,278	874,303
Employee benefits	46,026	46,108	119,963	118,667	330,764
Purchased power	-	-	2,330,016	-	2,330,016
Other operating expenses	102,342	74,713	94,825	166,920	438,800
Supplies	110,571	17,813	106,416	42,852	277,652
Depreciation	90,991	134,655	116,075	53,453	395,174
Total operating expenses	487,482	410,426	3,129,631	619,170	4,646,709
Operating income	1,048,322	279,669	1,594,697	59,795	2,982,483
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	262	185	331	-	778
Interest expense - non-operating	(56,142)	-	(6,898)	(4,982)	(68,022)
Total non-operating revenues (expenses)	(55,880)	185	(6,567)	(4,982)	(67,244)
INCOME (LOSS) BEFORE TRANSFERS	992,442	279,854	1,588,130	54,813	2,915,239
Transfers in	74,229	-	-	-	74,229
Transfers out	(569,644)	(214,545)	(1,510,769)	(2)	(2,294,960)
Change in net position	497,027	65,309	77,361	54,811	694,508
Net Position - beginning	1,518,712	2,893,428	2,395,564	89,148	6,896,852
Net Position - ending	$ 2,015,739	$ 2,958,737	$ 2,472,925	$ 143,959	$ 7,591,360

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

CITY OF SAN SABA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds				
	Water Fund	**Sewer Fund**	**Electric Fund**	**Garbage Fund**	**Total Enterprise Funds**
Cash Flows from Operating Activities:					
Cash received from user charges	$ 1,071,384	$ 629,464	$ 4,650,718	$ 676,070	$ 7,027,636
Cash payments to employees for services	(164,996)	(165,285)	(437,592)	(291,555)	(1,059,428)
Cash payments to suppliers	(217,720)	(137,554)	(2,637,125)	(325,128)	(3,317,527)
Other operating income	470,080	57,695	-	-	527,775
Net Cash Provided by Operating Activities	1,158,748	384,320	1,576,001	59,387	3,178,456
Cash Flows from Non-Capital Financing Activities:					
Transfers in	74,229	-	-	-	74,229
Transfers out	(569,644)	(214,545)	(1,510,769)	(2)	(2,294,960)
Net Cash Used for Non-Capital Financing Activities	(495,415)	(214,545)	(1,510,769)	(2)	(2,220,731)
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(111,155)	(418,212)	(8,055)	(77,882)	(615,304)
Principal paid on debt and capital leases	(81,247)	-	(58,502)	(34,059)	(173,808)
Interest paid on debt and capital leases	(54,731)	-	(6,898)	(4,982)	(66,611)
Proceeds from financing activities	-	412,350	-	51,605	463,955
Net Cash Provided by (used for) Capital and Related Financing Activities	(247,133)	(5,862)	(73,455)	(65,318)	(391,768)
Cash Flows from Investing Activities:					
Interest and dividends on investments	262	185	331	-	778
Net Cash Provided by (used for) Investing Activities	262	185	331	-	778
Net increase (decrease) in cash and cash equivalents	416,462	164,098	(7,892)	(5,933)	566,735
Cash and Cash Equivalents at Beginning of the Year	392,032	477,172	851,892	120,028	1,841,124
Cash and Cash Equivalents at End of the Year	$ 808,494	$ 641,270	$ 844,000	$ 114,095	$ 2,407,859
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	$ 1,048,322	$ 279,669	$ 1,594,697	$ 59,795	$ 2,982,483
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	90,991	134,655	116,075	53,453	395,174
Effect of increases and decreases in assets and liabilities:					
Decrease (increase) in receivables	5,660	(2,936)	(73,610)	(2,895)	(73,781)
Decrease (increase) in inventories	37,521	1,080	(870)	-	37,731
Decrease (increase) in deferred outflows	(25,807)	(25,857)	(68,561)	(46,699)	(166,924)
Increase (decrease) in compensated absences	1,245	829	2,012	1,577	5,663
Increase (decrease) in net pension liabilities	(2,882)	(3,120)	(8,707)	(9,155)	(23,864)
Increase (decrease) in other noncurrent	3,698	-	14,965	3,311	21,974
Net Cash Provided by Operating Activities	$ 1,158,748	$ 384,320	$ 1,576,001	$ 59,387	$ 3,178,456

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The City of San Saba (the primary government) is a general law city incorporated under the laws of the State of Texas in 1910. In February 1992, the City began operating under a Type A General Law Municipality, with a Mayor-Council form of government. The City provides the following services: public safety, street maintenance, refuse collection, recreation programs, municipal court, public health, community development, public improvements, water, sewer, electric and general administrative services.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City an option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

In accordance with Codification 2200, the City's financial statements include all funds, account groups, agencies, boards, commissions, and other organizations over which the Council exercises oversight responsibility. Oversight responsibility includes appointment of governing bodies, budget authority, approval of tax levies, securing outstanding debt by the City's full faith and credit or revenues, and responsibility for funding deficits.

The City has included the San Saba Economic Development Corporation as a component unit in the financial statements. As a result of applying the entity definition criteria of the Government Accounting Standards Board, the City included this entity as a component unit. This unit was organized for the following purpose:

San Saba Economic Development Corporation (San Saba EDC)

This corporation was created in 1999 under the Development Corporation Act of 1979, to promote and develop various enterprises and the general welfare of the city. It is supported by a ½ *(.005)* cent sales tax approved by voters in October 1999. Its governing board is appointed and serves at the pleasure of the city council.

A joint venture is an organization created through a contractual arrangement. The organization is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in two joint ventures with the County of San Saba, Texas. The purpose of these joint ventures is to pool resources and to share the costs, risks, and rewards of providing goods or services to the public.

The City participates in the following joint ventures:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. FINANCIAL REPORTING ENTITY - CONTINUED

San Saba County Emergency Medical Services

The County is responsible for overseeing countywide emergency management and medical services whereby professional emergency personnel respond to calls for emergency management and/or medical assistance. The County and the City share in funding the operations each fiscal year through an inter-local agreement whereby the City pays a portion of expenses, or $9,167 per month, to San Saba County for such services. The City also shares in funding Emergency Management Coordinator services with San Saba County, whereby the City pays $322 per month. The City records these expenditures in the general fund.

San Saba Volunteer Fire Department

This volunteer organization is county-wide. Its net deficit is funded half by the County and half by the City. The City incurred expenditures of $22,743 for fire department services in the current fiscal year. These expenditures are recorded in the general fund.

San Saba Jail Dispatcher and Municipal Court Services

Services for jail dispatching and municipal court services are also shared between the City and San Saba County. Interlocal agreements exist between the two municipalities for $89,508 and $27,576 for such services. These expenditures are recorded in the general fund.

Financial support from the City for these joint ventures has remained stable for the last several years and the City remains a vested partner in the provision of such services to its citizens.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Revenues, Expenditures, and Changes in Net Position display information about the reporting government. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION - CONTINUED

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal and interest and water and sewer fund principal and interest. It is used for the accumulation of funds to make required payments on principal and interest for such liabilities as certificate of obligation debt, bonds, and capital leases.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of capital facilities. Expenditures are accumulated in the fund until projects are completed.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The City maintains the following proprietary fund types:

Enterprise Funds

These funds are used to account for operations (1) that are 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 public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Discretely Presented Component Units

These funds are used to account for quasi-municipal activities of the San Saba Economic Development Corporation (SSEDC).

Major and Nonmajor Funds

The funds are all classified as major funds and are shown below:

Fund Type	Brief Description
Major	
General	Accounts for operating activities of the City.
Proprietary Funds	
City of San Saba Electric Utility	Accounts for activities of the public trust in providing electric services to the public.
City of San Saba Water Utility	Accounts for activities of the public trust in providing water services to the public.
City of San Saba Sewer Utility	Accounts for activities of the public trust in providing sewer services to the public.
City of San Saba Garbage Collection	Accounts for activities of the public trust in providing refuse collection services to the public.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded with the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All government funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Revenues, Expenditures, and Changes in Net Position both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Cash and Investments

For the purposes of the Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents. The signing of the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010 made the FDIC insurance coverage of $250,000 permanent.

In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. GASB Statement No. 31 also allows governments to value short-term, highly liquid debt instruments (i.e., money market investments, certificates of deposit) at amortized cost if those investments have a remaining maturity of one year or less at the time they are acquired. Short-term investments are reported at cost, which reasonably estimates fair value. Additional cash and investment disclosures are presented in Notes II.B. and III.A.

Texas Government Code Section 2256 (PFIA) outlines requirements for state agencies investing public funds. PFIA defines state agency as a department or commission that is part of any branch of state government and any non-profit corporation acting on behalf of either of those entities. In addition, the PFIA authorizes the governing body of a state agency to invest public funds and, in doing so, must comply with the requirements of PFIA. Procedures followed while conducting the annual government-wide audit of the financial statements of the City disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Public Funds Investment Act.

Interfund Receivables and Payables

During the course of operations, transactions may occur between individual funds that result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "Interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note IV for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

D. ASSETS, LIABILITIES, AND EQUITY - CONTINUED

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues, Expenditures, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Utility System	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. The long-term debt consists primarily of certificates of obligation, bonds, lease payables, customer deposits, and accrued compensated absences.

Fund Financial Statements

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES, AND EQUITY - CONTINUED

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 the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity Classifications

Government-wide Statements

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

a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes, mortgages, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net positions with constraints placed on the use either by: (1) external groups such as grantors, creditors, contributors, or other laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

c. Unrestricted net position – all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The City's policy is to first apply restricted resources to an expense and then unrestricted resources for the same expenses in the case where both restricted and unrestricted net position resources are available to pay for the expense. The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund Financial Statements

To clarify the relationship between reserved fund balance and restricted net position, the GASB issued Statement No. 54. The objective of the statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. Fund balance reporting requirements were changed to depict the relative strength of the spending constraints placed on the purposes for which the resources can be used as follows:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact

Restricted fund balance – amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES, AND EQUITY - CONTINUED

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint

Assigned fund balance – amounts a government 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 – amounts available for any purpose not contained in other classifications

E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

The City presently levies a one-cent (0.010) sales tax on taxable sales within the City. The sales tax is collected by the Texas State Comptroller of Public Accounts and remitted to the City in the month following receipt by the Comptroller. The Comptroller receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund and then allocated two-thirds for General Fund operations and one-third for the San Saba EDC.

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. Property taxes attach as an enforceable lien on taxable property as of January 1. Taxes are levied annually on October 1 and are due by January 31. The San Saba County Central Appraisal District bills and collects the property taxes and remits to the City its portion. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year end. Due to the immaterial amount of any additional property taxes receivable after the 60-day period and between the date of the issuance of the financial statements, no additional accrual is made in the government-wide financial statements.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds — By Character

Current (further classified by function)
Debt Service
Capital Projects

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. REVENUES, EXPENDITURES, AND EXPENSES - CONTINUED

Proprietary Fund — By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as Interfund transfers. For the purposes of the Statement of Revenues, Expenditures, and Changes in Net Position, all interfund transfers between individual governmental funds have been eliminated.

F. BUDGETS

Budgets are legally adopted for the General and Enterprise Funds. Budget-to-actual comparisons are presented due to the legal requirement to adopt a budget.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Amendments are made during the year on approval by the City Council. The final amended budget is used in this report. Unused budget appropriations lapse at year-end unless carried forward to the next year by City Council action. The operating budget includes proposed expenditures for the General and Enterprise Funds. The City Council annually adopts the final budget prior to September 30.

The City Manager has the authority to transfer appropriation balances from one expenditure category to another within a department. Although costs are monitored on expenditure categories, the legal level of control (level at which expenditures may not exceed budget) is the fund level. The reported budgetary data has been revised for amendments authorized during the year.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds.

B. DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, as required by 12 U.S.C.A., Section 1823(3). All financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III.A., all deposits were fully insured or collateralized.

C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources. For the year ended September 30, 2021, the City complied, in all material respects, with all revenue restrictions.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the various assets, liabilities, equity, revenue, and expenditure/expense amounts reported in the basic financial statements.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - CONTINUED

A. CASH AND INVESTMENTS

Deposits were with a contracted depository bank in interest bearing accounts which were secured throughout the year by FDIC coverage and by securities conforming to the provisions of House Bill 1488 pledged to, and in the name of the City. Under the provisions of the Governmental Accounting Standards Boards "Codification of Governmental Accounting Standards," the City was adequately secured for the entire year.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1	Deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name.
Category 2	Deposits that are collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name.
Category 3	Deposits which are not collateralized.

The City's cash and investments are categorized as follows:

	Carrying Amount	Bank Balance
Category 1	$ 274,807	$ 274,807
Category 2	2,269,751	2,712,747
Total	$ 2,544,558	$ 2,987,554

For the fiscal year 2021, the City only invested in certificates of deposits and money market accounts at insured institutions.

Deposits for the component unit are held in a financial institution and are fully secured under the Federal Deposit Insurance Corporation.

B. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance September 30, 2020	Additions	Dispositions	Balance September 30, 2021
Governmental activities:				
Land	$ 427,814	$	$	$ 427,814
Buildings	946,099			946,099
Improvements	2,973,943	18,115		2,992,058
Machinery and equipment	2,600,338	62,291		2,662,629
Totals at historical cost	6,948,194	80,406		7,028,600
Less accumulated depreciation				
Buildings	(695,031)	(31,388)		(726,419)
Improvements	(2,177,242)	(66,541)		(2,243,783)
Machinery and equipment	(2,112,020)	(130,944)	70,431	(2,172,533)
Total accumulated depreciation	(4,984,293)	(228,873)	70,431	(5,142,735)
Governmental activities capital assets, net	$ 1,963,901	$ (148,467)	$ 70,431	$ 1,885,865

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

B. CAPITAL ASSETS CONTINUED

	Balance September 30, 2020	Additions	Dispositions	Balance September 30, 2021
Business-type activities:				
Land	$ 16,656			$ 16,656
Buildings and improvements	11,324,365	122,965		11,447,330
Machinery and equipment	2,735,855	492,340	-	3,228,195
Totals at historical cost	14,076,876	615,305	-	14,692,181
Less accumulated depreciation				
Total accumulated depreciation	(7,266,922)	(395,174)	-	(7,662,096)
Business-type capital assets, net	$ 6,809,954	$ 220,131	$ -	$ 7,030,085

Depreciation expense was charged to governmental activities as follows:

	Amount
General government	$ 7,855
Public safety and judiciary	34,425
Streets	62,706
Parks and recreation	113,716
Public health	10,171
Total depreciation expense	$ 228,873

C. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

Governmental activities debt consists of the following:	Balance September 30, 2021
General Fund	
Lease purchase with Yamaha Financial Services in the original amount of $58,500 on September 1, 2018, for golf carts with monthly payments of $1,218.75 including interest at 4.52%.	13,121
Lease purchase with Yamaha Financial Services in the original amount of $54,079 on April 2, 2019, for golf carts with monthly payments of $1,239.29 including interest at 4.96%.	22,640
Lease purchase with First Financial Bank in the original amount of $79,654 on October 11, 2018, for a 1998 dump trailer with annual payments of $15,003.10 including interest at 4.87%.	40,957
Lease purchase with First Financial Bank in the original amount of $36,417 on July 10, 2020, for a Toro Greensmaster mower with annual payments of $5,920.31 including interest at 3.34%.	31,713

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

	Balance September 30, 2021
General Fund	
Lease purchase with Spirit of Texas Bank in the original amount of $161,240 on June 25, 2020, for a TYMCO street sweeper with annual payments of $25,467.96 including interest at 3.27%.	115,742
Lease purchase with First Financial Bank in the original amount of $42,095 on December 10, 2019, for a 2020 Ford Fusion with annual payments of $9,252.82 including interest at 4.50%.	25,436
Lease purchase with Mason Bank in the original amount of $70,495 on October 15, 2020, for a Kubota tractor, Snake S2 mower, and turf aerator with annual payments of $11,430.39 including interest at 3.27%.	70,495
Lease purchase with Mason Bank in the original amount of $28,272 on November 10, 2020, for a 2020 Ford F-150 with annual payments of $7,824.73 including interest at 4.197%.	28,272
Lease purchase with Government Capital in the original amount of $30,328 on March 1, 2021, for a 2020 Ford F-150 with annual payments of $8,302.38 including interest at 3.88%.	30,327
Certificates of Obligation in the original amount of $1,500,000 issued March 2008, with principal payments annually and interest at 4.5% payable semi-annually, final maturity March 2023. Proceeds from these obligations were restricted for the purchase of capital improvements to the electric lines and City parks. The certificates are collateralized with future ad valorem taxes.	265,000
Certificates of Obligation in the original amount of $915,000 issued October 2009, with principal payments annually and interest at 4.95% payable semi-annually, final maturity November 2025. Proceeds from these obligations were restricted for waterworks and sewer system improvements. The certificates are collateralized with future ad valorem taxes.	315,000
Certificates of Obligation in the original amount of $165,000 issued May 2014, with principal payments annually and interest ranging from 0.00% to 2.26% payable annually, final maturity May 2024. Proceeds from these obligations were restricted for waterworks and sewer system improvements. The certificates are collateralized with future ad valorem taxes.	60,000
Accrued compensated absences	95,516
Total general long-term debt	$ 1,114,219

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

Less amounts due within one year	322,880
Amounts due in more than one year	$ 791,339

BUSINESS-TYPE ACTIVITIES

As of September 30, 2021, the long-term debt payable from proprietary fund resources (business-type activities) consisted of the following:

	Balance September 30, 2021
Water fund	
Waterworks and Sewer System Revenue Bonds in the original amount of $475,000 issued 1985, with principal payments annually and interest at 5% semi-annual, final maturity June 1, 2024.	78,000
Lease purchase with Spirit of Texas Bank in the original amount of $84,100 on April 9, 2015, for SCADA Water System Equipment with monthly payments of $1,148 including interest at 3.98%.	7,017
Lease purchase with First Financial Bank in the original amount of $47,469 on November 16, 2018, for New Holland Skid Loader Equipment with annual payments of $13,384 including interest at 4.91%.	24,918
Lease purchase with First Financial Bank in the original amount of $29,768 on December 16, 2019, for a 2020 Chevrolet 1500 with annual payments of $6,538 including interest at 4.50%.	17,974
Certificates of Obligation in the original amount of $1,870,000 issued September 2018, with principal payments annually and interest of 2.75% payable annually, final maturity September 2058. Proceeds from these obligations were restricted for waterworks and sewer system improvements. The certificates are collateralized with future ad valorem taxes.	1,594,026
Accrued compensated absences	12,522
Customer deposits	149,592
Total water fund long-term debt	$ 1,884,049

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES

	Balance September 30, 2021
Sewer fund	
Lease purchase with Government Capital in the original amount of $412,350 on December 22, 2020, for a Sewer Cleaner with annual payments of $48,653 including interest at 3.127%.	412,350
Accrued compensated absences	7,269
Total sewer fund long-term debt	$ 419,619
Electric fund	
Lease purchase with Alyce Temple in the original amount of $29,500 on October 13, 2015, for a 2015 Chevrolet Silverado 2500 HD with monthly payments of $472 including interest at 4.82%.	921
Lease purchase with Spirit of Texas Bank in the original amount of $69,900 on May 10, 2016, for a Digger Truck and Related Equipment with annual payments of $13,114 including interest at 3.49%.	12,671
Lease purchase with Spirit of Texas Bank in the original amount of $189,351 on June 25, 2020, for a Ford Lift Truck with annual payments of $29,908.11 including interest at 3.27%.	135,921
Accrued compensated absences	22,459
Customer deposits	184,936
Total electric fund long-term debt	$ 356,908
Garbage fund	
Lease purchase with Texas Bank in the original amount of $150,250 on November 18, 2014, for a 2015 Freightliner Sanitation Truck with semiannual payments of $8,957 including interest at 3.57%.	50,594
Lease purchase with Spirit of Texas Bank in the original amount of $75,000 on November 10, 2015, for a 2006 IHC 7300 Sanitation Truck with semiannual payments of $12,216 including interest at 3.97%.	11,881
Lease purchase with First Financial Bank in the original amount of $37,578 on March 11, 2019, for a 2011 CASE 580N Backhoe with annual payments of $8,911 including interest at 5.96%.	23,837

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES	Balance September 30, 2021
Lease purchase with Government Capital in the original amount of $51,592 on February 11, 2021, for Garbage Scales with annual payments of $11,456 including interest at 3.59%.	51,593
Accrued compensated absences	13,654
Transfer site liability	34,175
Total garbage fund long-term debt	$ 185,734
Total enterprise fund long-term debt	$ 2,846,310
Amounts due within one year	197,952
Amounts due in more than one year	$ 2,648,358

C. LONG-TERM DEBT – SUMMARY OF CHANGES FOR THE YEAR

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2021.

	Governmental Activities			
	Payable at 9/30/2020	Additions	Deletions	Payable at 9/30/2021
Capital leases	$ 322,652	$ 129,095	$ 73,044	$ 378,703
Certificates of obligation	850,000	-	210,000	640,000
Compensated absences	94,027	1,489	-	95,516
Totals	$ 1,266,679	$ 130,584	$ 283,044	$ 1,114,219

	Enterprise Funds			
	Payable at 9/30/2020	Additions	Deletions	Payable at 9/30/2021
Bonds Payable	$ 101,000	$ -	$ 23,000	$ 78,000
Capital Leases	408,453	464,032	122,808	749,677
Certificates of obligation	1,622,026	-	28,000	1,594,026
Transfer site liability	30,864	3,311	-	34,175
Compensated absences	50,242	5,662	-	55,904
Customer deposits	315,865	18,663	-	334,528
Totals	$ 2,528,450	$ 491,668	$ 173,808	$ 2,846,310

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM BONDED DEBT

Annual amortization requirements for the General Fund long-term certificates of obligation outstanding as of September 30, 2021, including interest payments are as follows:

Year ending September 30,	Principal	Interest	Total
2022	225,000	23,797	248,797
2023	230,000	13,723	243,723
2024	100,000	6,414	106,414
2025	85,000	2,104	87,104
Total	$ 640,000	$ 46,038	$ 686,038

BUSINESS-TYPE ACTIVITIES

Annual amortization requirements for the Water Fund long-term 1985 bonded debt outstanding as of September 30, 2021, including interest payments are as follows:

Year ending September 30,	Principal	Interest	Total
2022	25,000	3,900	28,900
2023	26,000	2,650	28,650
2024	27,000	1,350	28,350
Total	$ 78,000	$ 7,900	$ 85,900

Annual amortization requirements for the Water Fund long-term 2018 certificates of obligation outstanding as of September 30, 2021, including interest payments are as follows:

Year ending September 30,	Principal	Interest	Total
2022	28,000	49,170	77,170
2023	29,000	48,400	77,400
2024	30,000	47,603	77,603
2025	31,000	46,778	77,778
2026	32,000	45,925	77,925
2027 - 2031	171,000	216,040	387,040
2032 - 2036	196,000	191,263	387,263
2037 - 2041	226,000	162,662	388,662
2042 - 2046	259,000	129,855	388,885
2047 - 2051	296,000	92,208	388,208
2052 - 2056	296,026	49,225	345,251
Total	$ 1,594,026	$ 1,079,129	$ 2,673,155

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

CAPITAL LEASE PAYMENTS FOR GOVERNMENT ACTIVITIES

Minimum future lease payments for all capital lease payments including interest are as follows:

	Governmental Activities		
Year ending September 30,	Principal	Interest	Total
2022	97,880	13,600	111,480
2023	81,818	10,059	91,877
2024	76,109	7,092	83,201
2025	54,797	4,149	58,946
2026	40,584	2,235	42,819
2027 - 2028	27,515	1,266	28,781
Total	$ 378,703	$ 38,401	$ 417,104

CAPITAL LEASE PAYMENTS FOR ENTERPRISE ACTIVITIES

Minimum future lease payments for all capital lease payments including interest are as follows:

	Enterprise Activities		
Year ending September 30,	Principal	Interest	Total
2022	144,952	25,206	170,158
2023	116,644	20,121	136,765
2024	107,661	15,720	123,381
2025	77,940	12,078	90,018
2026	80,466	9,551	90,017
2027 - 2031	222,014	21,254	243,268
Total	$ 749,677	$ 103,930	$ 853,607

IV. INTERFUND RECEIVABLES AND PAYABLES

The following is a list of interfund receivables and payables:

	Receivable	Payable
Garbage Fund	$ 1,230	$
Water Fund	6,841	
Debt Service Fund		6,841
General Fund		1,230
Totals	$ 8,071	$ 8,071

V. RISK MANAGEMENT

The City incurs risk in the areas of property and liability, errors and omissions, and law enforcement liability. Risk of loss for each of these areas is transferred to commercial carriers. A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The City participates in the Texas Municipal League Risk Pool, a risk-sharing pool, for workers compensation, wherein member cities pool risks and share in the costs of any losses.

V. RISK MANAGEMENT – CONTINUED

Claims against the City are expected to be paid by that public entity risk pool. Should the pool become insolvent, or otherwise unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

VI. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of San Saba participates as one of over 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the 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:

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The City also provides death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms:

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

Number of members:	December 31 2020	December 31 2019
Inactive employees or beneficiaries currently receiving benefits:	25	23
Inactive employees entitled to but not yet receiving benefits:	16	20
Active employees:	46	43
Total	87	86

VI. DEFINED BENEFIT PENSION PLANS – CONTINUED

C. Contributions

The contribution rates for employees in TMRS are either 3%, 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 of San Saba were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates (including SDBF contributions) for the City of San Saba were 8.68% and 8.75% in calendar years 2021 and 2020, respectively. The City's employer contributions to TMRS for the years ended September 30, 2021, and 2020, were $166,681 and $166,739, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured on December 31, 2020, and 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of those dates. Exhibit E-2 and E-3 present the City's Pension Liability and Other Ratios, as well as the Schedule of City Contributions for these valuation dates.

Actuarial Assumptions:

The Total Pension Liabilities in the December 31, 2019, and 2018, actuarial valuations were determined using the following actuarial methods and assumptions:

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

Salary increases are assumed to occur once a year, on January 1, thus, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of service	Rate (%)
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

Actuarial assumptions used in the December 31, 2020, and 2019 valuations were based on the results of actuarial experience studies. The experience study for TMRS was for the period December 31, 2014, through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation.

VI. DEFINED BENEFIT PENSION PLANS - CONTINUED

D. Net Pension Liability – Continued

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables was used for service retirees and beneficiary mortality rates. For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on the mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females. The current table of APR's is explicitly valued through 2023 and it is assumed the APR's and the valuation mortality assumptions will be consistent over time.

The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. This method develops the annual cost of the plan in two parts; that attributable to benefits accruing in the current year, known as normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member.

Timing of the Valuation

Per GASB 68, an actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The measurement date used for the total pension liability is of December 31, 2020, thus adjustments are included in the financial statements to account for the difference in the measurement date and the City's fiscal year-end date of September 30, 2021.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 2.00% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index). A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2020. The single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payment of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e., the employer normal cost).