

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.tmr.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:

	December 31 2021	December 31 2020
Number of members:		
Inactive employees or beneficiaries currently receiving benefits:	26	25
Inactive employees entitled to but not yet receiving benefits:	16	16
Active employees:	47	46
Total	89	87

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 8.82% and 8.68% in calendar years 2022 and 2021, respectively. The City's employer contributions to TMRS for the years ended September 30, 2022, and 2021, were \$198,871 and \$183,025, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured on December 31, 2021, and 2020, 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, 2020, and 2019, actuarial valuations were determined using the following actuarial methods and assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines (if any)
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.

<u>Years of service</u>	<u>Rate (%)</u>
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, 2021, and 2020 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, 2021, 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, 2022.

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).

VI. DEFINED BENEFIT PENSION PLANS - CONTINUED

D. Net Pension Liability- Continued

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

Exhibit E-2 presents the net pension liability of the City. The following presents the net pension liability calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Net Pension liability / (asset)	\$ 1,293,197	\$ 194,353	\$(703,482)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions.

For the years ended September 30, 2022, and 2021, the City recognized pension expense of \$32,578 and \$33,511, calculated as follows:

2021 SCHEDULE OF PENSION EXPENSE

\$ 270,290	Total service cost
476,889	Interest on the total pension liability
(132,279)	Employee contributions (reduction of expense)
(451,157)	Projected earnings on plan investments (reduction of expense)
4,032	Administrative expenses
(28)	Other changes in fiduciary net position
52,009	Recognition of current year outflows (inflows) of resources – Liabilities
(84,010)	Recognition of current year outflows (inflows) of resources – Assets
(36,393)	Amortization of prior year outflows (inflows) of resources – Liabilities
(66,775)	Amortization of prior year outflows (inflows) of resources – Assets
\$ 32,578	Total pension expense (income)

2020 SCHEDULE OF PENSION EXPENSE

\$ 239,973	Total service cost
449,230	Interest on the total pension liability
(118,213)	Employee contributions (reduction of expense)
(420,817)	Projected earnings on plan investments (reduction of expense)
3,062	Administrative expenses
119	Other changes in fiduciary net position
(606)	Recognition of current year outflows (inflows) of resources – Liabilities
(10,467)	Recognition of current year outflows (inflows) of resources – Assets
(52,381)	Amortization of prior year outflows (inflows) of resources – Liabilities
(56,389)	Amortization of prior year outflows (inflows) of resources – Assets
\$ 33,511	Total pension expense (income)

VI. DEFINED BENEFIT PENSION PLANS - CONTINUED

D. Net Pension Liability- Continued

On September 30, 2022, the City schedule of (inflows)/outflows of resources related to pension expense in current and future years is as follows:

Deferred Inflows/Outflows of Resources	<i>Recognition Period (or Amort. Yrs)</i>	<i>Total (Inflow) or Outflow of Resources</i>	<i>Recognized 2021 Current Pension Expense</i>	<i>Deferred (Inflow)/Outflow in future expense</i>
<u>Due to Liabilities:</u>				
Difference in expected and actual economic experience [actuarial (gains) or losses]	4.70	\$ 244,438	\$ 52,009	\$ 192,429
Changes in actuarial assumptions [actuarial (gains) or losses]	4.70	-	-	-
			<u>\$ 52,009</u>	\$ 192,429
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	\$(420,049)	\$ (84,010)	\$(336,039)
Contributions paid to TMRS subsequent to measurement date	-	251,634	-	251,634
			<u>\$ (32,001)</u>	\$ 108,024
TOTAL				\$ 108,024

On September 30, 2021, the City schedule of (inflows)/outflows of resources related to pension expense in current and future years is as follows:

Deferred Inflows/Outflows of Resources	<i>Recognition Period (or Amort. Yrs)</i>	<i>Total (Inflow) or Outflow of Resources</i>	<i>Recognized 2020 Current Pension Expense</i>	<i>Deferred (Inflow)/Outflow in future expense</i>
<u>Due to Liabilities:</u>				
Difference in expected and actual economic experience [actuarial (gains) or losses]	4.51	\$ (2,734)	\$ (606)	\$ (2,128)
Changes in actuarial assumptions [actuarial (gains) or losses]	4.51	\$ -	\$ -	\$ -
			<u>\$ (606)</u>	\$ (2,128)
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	\$(52,335)	\$ (10,467)	\$ (41,868)
Contributions paid to TMRS subsequent to measurement date	-	\$ 237,864	-	\$ 237,864
			<u>\$ (10,467)</u>	\$ 195,996
TOTAL				\$ 193,868

The \$108,024 for 2022 and \$193,868 for 2021 reported as deferred (inflows)/outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase/(decrease) in the net pension liability for the years ending September 30, 2022, and 2021.

VI. DEFINED BENEFIT PENSION PLANS - CONTINUED

D. Net Pension Liability- Continued

Net deferred outflows(inflows) of resources, by year, to be recognized in future pension expense as follows:

Year ended December 31:	
2022	(48,924)
2023	(154,943)
2024	(42,778)
2025	(47,607)
2026	-
Thereafter	-
Total	\$ (294,252)

VII. SUPPLEMENTAL DEATH BENEFITS FUND

A. Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

<i>City of San Saba offers supplemental death benefits to:</i>	<i>Plan year 2021</i>	<i>Plan year 2020</i>
<i>Active employees (yes or no)</i>	<i>Yes</i>	<i>Yes</i>
<i>Retirees (yes or no)</i>	<i>Yes</i>	<i>Yes</i>

B. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

Schedule of Contribution Rates: (RETIREE-only portion of the rate)

<i>Plan/ Calendar Year</i>	<i>Retiree Portion of SDBF Contribution (Rate)</i>	<i>TOTAL SDBF Employer Contribution Rate</i>
<i>2022</i>	<i>0.16%</i>	<i>0.33%</i>
<i>2021</i>	<i>0.18%</i>	<i>0.35%</i>
<i>2020</i>	<i>0.07%</i>	<i>0.29%</i>
<i>2019</i>	<i>0.06%</i>	<i>0.28%</i>
<i>2018</i>	<i>0.05%</i>	<i>0.25%</i>

VII. SUPPLEMENTAL DEATH BENEFITS FUND - CONTINUED

C. OPEB Liability and Sensitivity of the OPEB liability to changes in the discount rate

Exhibit E-5 presents the activity for the OPEB liability of the City related to SDBF. The following presents the OPEB liability calculated using the discount rate of 2.00%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	1% Decrease 1.00%	Current Single Rate Assumption 2.00%	1% Increase 3.00%
Total OPEB liability	\$ 229,747	\$ 188,788	\$ 157,268

The City's contributions to the TMRS SDBF for the year ended 2022 and 2021 were \$5,787 and \$5,982 respectively, which equaled the required contributions each year.

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

2021 OPEB EXPENSE

Service cost	\$ 12,567
Interest on total OPEB liability	3,603
Changes in benefit terms including TMRS plan participation	-
Employer administrative costs	-
Recognition of deferred outflows/(inflows) of resources:	
Differences between expected and actual experience	(4,407)
Changes in assumptions and inputs	8,927
Total OPEB Expense	\$ 20,690

Deferred (Inflows)/Outflows of Resources:

	<i>Deferred (Inflows) of Resources</i>	<i>Deferred Outflows of Resources</i>
Differences between expected and actual experience	\$ (16,065)	\$ 0
Changes in assumptions and inputs	-	30,030
Contributions made subsequent to measurement date	N/A	4,452
Total	\$ (16,065)	\$ 34,482

On September 30, 2022, the City schedule of (inflows)/outflows of resources related to OPEB expense in current and future years is as follows:

	<i>Recognition Period (or Amort. Yrs)</i>	<i>Total (Inflow) or Outflow of Resources</i>	<i>Recognized 2021 Current OPEB Expense</i>	<i>Deferred (Inflow)/Outflow in future expense</i>
<u>Due to Liabilities:</u>				
Difference in expected and actual economic experience [actuarial (gains) or losses]	5.76	\$ (4,861)	\$ (844)	\$ (4,017)
Changes in assumptions [actuarial (gains) or losses]	5.76	5,608	974	4,634
Contributions made subsequent to measurement date	-	4,452	-	4,452
			<u>\$</u>	\$ 5,069
TOTAL				\$ 5,069

VII. SUPPLEMENTAL DEATH BENEFITS FUND - CONTINUED

The \$13,965 and \$14,035 reported for 2022 and 2021 as deferred (inflows)/outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as an increase in the OPEB liability for the years ending September 30, 2022, and 2021.

Net deferred outflows(inflows) of resources, by year, to be recognized in future OPEB expense as follows:

Year ended December 31:	
2022	4,520
2023	3,604
2024	3,995
2025	1,749
2026	97
Thereafter	-
Total	<u>\$ 13,965</u>

VIII. CAFETERIA PLAN

The City of San Saba established for their employees a Premium Only Cafeteria Plan. This is in accordance with Section 125 of the Internal Revenue Code of 1986. The plan offers certain non-taxable insurance and medical benefits.

All full-time employees who work a minimum of 30 hours per week and have reached the minimum age of 18 are eligible to participate in the plan beginning with the first day of the month following employment. Participation in the plan ends with termination of employment with the City. Plan provisions require the City to contribute an amount equal to the amount of the salary reduction elected by the participant toward the cost of benefits that are provided under the plan.

IX. DEFINED BENEFIT PENSION PLAN - EMERGENCY SERVICES PERSONNEL

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.texas.gov.

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31, 2020, there were 238 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2021, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,837
Terminated Members Entitled to Benefits but Not Yet	
Receiving Them	1,787
Active Participants (Vested and Non-vested)	3,634

IX. DEFINED BENEFIT PENSION PLAN - EMERGENCY SERVICES PERSONNEL - CONTINUED

B. Benefits Provided – Continued

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service more than 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions for the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2020, actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to 15 years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

C. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2020, total contributions of \$3,755,240 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2020.

IX. DEFINED BENEFIT PENSION PLAN - EMERGENCY SERVICES PERSONNEL - CONTINUED

D. Contributions - Continued

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1). The most recently completed biennial actuarial valuation as of August 31, 2020, stated that the TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state.

The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

E. Net Pension Liability

The City's share of the net pension liability as it relates to the TSERS was measured as of August 31, 2020, and the total pension liability used to calculate the City's share of the Net Pension Liability was determined by an actuarial valuation as of August 31, 2020.

Actuarial Assumptions:

The total pension liability in the August 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.00%
Investment rate of return	7.50% per year, net of investment expenses, including inflation
Salary increases	N/A

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and expected arithmetic real rates of return for each major asset class in fiscal year 2021 are summarized as follows:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Net Real Rate of Return</i>
Global Public Equity	35%	7.55%
Core Fixed Income	6	2.00
Non-Core Fixed Income	20	5.68
Other Public and Private Markets	12	7.22
Real estate	12	6.85
Hedge Funds	5	5.35
Private Equity	10	10.00
Total	100%	

IX. DEFINED BENEFIT PENSION PLAN - EMERGENCY SERVICES PERSONNEL – CONTINUED
Pension Plan Fiduciary Net Position

For the year ended August 31, 2020, and 2019, the TSERS pension expense related to the San Saba Emergency Services personnel was \$9,873 and \$9,605 (of which the City shares 50/50 with San Saba County), and the net pension liability was \$37,312 and \$40,534. [See Exhibit E-4 for additional information.]

X. SAN SABA ECONOMIC DEVELOPMENT CORPORATION

The San Saba Economic Development Corporation (EDC) is reported as a component unit of the City due to the control which the City has over it. The EDC has been involved in the following matters which should be disclosed in this report:

- A. Upon approval by the City Council on January 19, 2009, the EDC obtained financing from the Texas Leverage Fund in the amount of \$350,000 at the Wall Street Journal floating prime rate to expand the local airport runway, fund an economic feasibility study, and to provide for downtown infrastructure, parking, lighting and signage, and restroom facilities. Monthly installments were paid on the note in fiscal year 2022 in the total amount of \$30,323, of which \$27,930 was applied to the principal balance, with the remaining \$2,393 applied to interest. The remaining note balance as of September 30, 2022, is \$46,621.
- B. On June 30, 2015, the EDC signed a security note agreement with Government Capital Corp. for \$58,030 for the purchase of Mill Pond Park Playground Equipment. The note requires monthly payments of \$792.72, includes a stated interest rate of 3.982%, and has scheduled payments through 6/30/22. Principal paid on the note in fiscal year 2022 was \$7,785, and interest paid was \$143. The note was paid off in fiscal year 2022.

XI. GARBAGE TRANSFER SITE

The City's garbage collection process involves daily collection of garbage, then transfer to a larger trailer for transportation to a dump site operated by the City of Brownwood. State and federal environmental laws and accounting rules require that a determination be made of the life expectancy of that transfer site and an estimated cost to clean the site up in an environmentally sensitive manner. The City's engineer determined an estimated life of 30 years and a cost of \$24,975. That cost, as adjusted for additional estimated costs and inflation, and amortized over a 30-year life expectancy, is \$37,992.

XII. LITIGATION

There are no lawsuits currently pending against the City.

XIII. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2022, the City purchased merchandise from Harry's Department Store, of which Mayor Ken Jordan is part owner. Payments made to Harry's for the year ended September 30, 2022, totaled \$9,874.79. No outstanding payables existed as of September 30, 2022.

The City also purchased products at Oliver & Company, of which Shawn Oliver, Alderman, is an owner. Payments made to Oliver & Company for the twelve months ended September 30, 2022, totaled \$120.65. No outstanding payables existed as of September 30, 2022.

The City also purchased products at Alamo Pecan & Coffee Co., of which Robert Whitten, Alderman, is an owner. Payments made to Alamo Pecan & Coffee Co. for the twelve months

XIII. RELATED PARTY TRANSACTIONS – CONTINUED

ended September 30, 2022, totaled \$1,103.04. No outstanding payables existed as of September 30, 2022.

The City also purchased products and services at Nelson Autoworks, of which Michael Nelson, Alderman, is an owner. Payments made to Nelson Autoworks for the year ended September 30, 2022, totaled \$2,469.01. No outstanding payables existed as of September 30, 2022.

XIV. RECENT PRONOUNCEMENTS

In June 2017, the GASB approved a new pronouncement Statement No. 87, *Leases*, which improved accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In March 2018, the GASB approved Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information disclosed in the notes and clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

XV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Saba, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of San Saba, Texas's (the "City") basic financial statements, and have issued our report thereon dated December 5, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

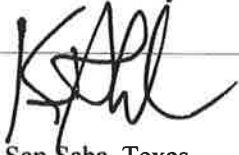
As part of obtaining reasonable assurance about whether City of San Saba, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated December 5, 2022.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "K. Stahl", is written over a horizontal line.

San Saba, Texas
December 5, 2022

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN SABA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		(Budgetary Basis)	Variance With
	Original	Final	Actual Amounts	Final Budget Under or (Over)
REVENUES:				
Taxes:				
Property taxes	\$ 511,263	\$ 530,577	\$ 530,577	\$ -
General sales and use taxes	574,000	660,571	660,571	-
Other taxes and franchise fees	85,400	88,806	88,806	-
Licenses and permits	6,850	5,437	5,437	-
Charges for services	360,800	436,826	436,826	-
Fines	47,000	37,632	37,632	-
Investment income	1,110	10,519	10,519	-
Rents and royalties	57,750	47,529	47,529	-
Grant income	150,300	56,433	56,433	-
Other revenues	403,588	344,299	100,632	243,667
Total Revenues	<u>2,198,061</u>	<u>2,218,629</u>	<u>1,974,962</u>	<u>243,667</u>
EXPENDITURES:				
Current:				
General government	1,325,547	1,227,529	1,129,631	97,898
Public safety	866,413	847,152	847,152	-
Streets	444,982	407,335	407,335	-
Parks and recreation	1,253,771	1,277,515	1,198,403	79,112
Public health	38,400	35,748	35,748	-
Debt service:				
Principal	350,879	322,879	322,879	-
Interest	96,505	37,093	37,267	(174)
Capital Outlay:				
Purchases of capital assets	512,178	425,714	247,967	177,747
Total Expenditures	<u>4,888,675</u>	<u>4,580,965</u>	<u>4,226,382</u>	<u>354,583</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(2,690,614)</u>	<u>(2,362,336)</u>	<u>(2,251,420)</u>	<u>(110,916)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(73,458)	(73,458)	-
Transfers in	2,690,614	2,435,794	2,393,432	42,362
Total Other Financing Sources and (Uses)	<u>2,690,614</u>	<u>2,362,336</u>	<u>2,319,974</u>	<u>42,362</u>
NET CHANGES IN FUND BALANCES				
Fund Balance - October 1 (Beginning)	-	-	68,554	(68,554)
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,141</u>	<u>\$ (220,141)</u>

CITY OF SAN SABA, TEXAS
RECONCILIATION OF FUND BALANCE ON BUDGETARY BASIS
TO FUND BALANCE ON A GAAP BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Fund Balances - Budgetary Basis	\$ 220,141
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 \$7,028,600 and the accumulated depreciation was \$5,142,735. 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.	878,758
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 2022 capital outlays and debt payments is to increase net position.	548,688
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(234,131)
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 \$121,952. Also included in the statement of net position are deferred outflows in the amount of \$67,782, which increased compared to the prior year balance of deferred outflows. Additionally, changes in pension expense have been included, which results in a current year decrease in net position.	(180,164)
Various other reclassifications and eliminations are necessary to convert from the modified accrual 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.	(213,280)
Total Fund Balances - GAAP Basis	<u><u>\$ 1,020,012</u></u>

CITY OF SAN SABA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR 20XX

	January 1 through December 31					
	2021	2020	2019	2018	2017	2016
Total Pension Liability						
Service Cost	\$ 270,290	\$ 239,973	\$ 223,211	\$ 211,388	\$ 213,172	\$ 206,648
Interest (on the Total Pension Liability)	476,889	449,230	430,999	409,046	394,571	382,901
Diff between expected and actual experience	244,438	(2,734)	(106,527)	2,639	(56,608)	(93,312)
Changes of assumptions	-	-	15,769	-	-	9,364
Benefit pymts, incl refunds of EE contr	(278,352)	(305,381)	(298,128)	(309,375)	(362,219)	(291,002)
Net Change in Total Pension Liability	713,265	381,088	265,324	313,698	188,916	205,235
Total Pension Liability - Beginning	7,069,047	6,687,959	6,422,635	6,108,937	5,920,021	5,714,786
Total Pension Liability - Ending (a)	\$ 7,782,312	\$ 7,069,047	\$ 6,687,959	\$ 6,422,635	\$ 6,108,937	\$ 5,920,021
Plan Fiduciary Net Position						
Contributions - Employer	\$ 183,025	\$ 166,681	\$ 154,060	\$ 146,145	\$ 151,707	\$ 138,395
Contributions - Employee	132,279	118,213	111,235	104,389	106,586	103,152
Net investment income	871,206	473,152	839,724	(169,658)	702,668	324,312
Benefit pymts, incl refunds of EE contr	(278,352)	(305,381)	(298,128)	(309,375)	(362,219)	(291,002)
Administrative expense	(4,032)	(3,062)	(4,745)	(3,279)	(3,641)	(3,662)
Other	28	(118)	(143)	(172)	(185)	(197)
Net Change in Plan Fiduciary Net Position	904,154	449,485	802,003	(231,950)	594,916	270,998
Plan Fiduciary Net Position - Beginning	6,683,805	6,234,320	5,432,317	5,664,267	5,069,351	4,798,353
Plan Fiduciary Net Position - Ending (b)	\$ 7,587,959	\$ 6,683,805	\$ 6,234,320	\$ 5,432,317	\$ 5,664,267	\$ 5,069,351
Net Pension Liability - Ending (a) - (b)	\$ 194,353	\$ 385,242	\$ 453,639	\$ 990,318	\$ 444,670	\$ 850,670
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.50%	94.55%	93.22%	84.58%	92.72%	85.63%
Covered employee payroll	\$ 2,204,650	\$ 1,970,220	\$ 1,853,912	\$ 1,739,818	\$ 1,776,431	\$ 1,719,202
Net Pension Liability as a Percentage of Covered Employee Payroll	8.82%	19.55%	24.47%	56.92%	25.03%	49.48%
						52.77%

Notes to Schedule:

- Eight years of data is presented in accordance with GASB 68 paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.
- GASB 68 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date, for example: for the above period ending December 31, 2021 - the period from January 1, 2021 to December 31, 2021. This is how the data is presented for each year presented above.

CITY OF SAN SABA, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR 20XX

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 132,279	\$ 118,213	\$ 111,235	\$ 104,389	\$ 106,586	\$ 103,152	\$ 104,204	\$ 102,303
Contributions in relation to the actuarially determined contribution	132,279	118,213	111,235	104,389	106,586	103,152	104,204	102,303
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	\$2,204,650	\$1,970,220	\$1,853,912	\$1,739,818	\$1,776,431	\$1,719,202	\$1,736,725	\$1,705,051
Contributions as a percentage of covered employee payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Notes to Schedule:**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014- 2018.

Mortality

Post-retirement; 2019 Municipal Retirees of Texas Mortality Table. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement; PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information**Notes**

There were no benefit changes during the year.

CITY OF SAN SABA, TEXAS
SCHEDULE OF PENSION AMOUNTS AND DEFERRED OUTFLOWS OF RESOURCES
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
AS OF AND FOR THE YEAR ENDED AUGUST 31, 20XX

TESRS' allocation of pension expense as of TESRS' fiscal year end is shown in the following table:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service Cost	\$ 2,303	\$ 2,761	\$ 2,668	\$ 3,330	\$ 2,852	\$ 2,948
Interest (on the Total Pension Liability)	16,459	16,279	15,090	20,700	16,948	15,489
Projected earnings on pension plan investments	(13,691)	(13,020)	(12,683)	(16,867)	(13,137)	(12,000)
Amortization of differences between projected and actual earnings on plan investments	(4,261)	176	4,121	400	1,504	2,310
Amortization of changes of assumptions	(39)	(39)	116	564	483	469
Amort of differences between expected and actual experience	(1,150)	(1,182)	(32)	(18)	35	34
Pension plan administrative expense	397	474	324	331	330	290
Changes in benefit provisions	-	4,424	-	5,905	-	1,256
Pension exp related to San Saba Emerg Services Personnel	18	9,873	9,605	14,344	9,015	10,796

Amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows:

Fiscal year ended	Net Deferred Outflows Minus <u>Deferred Inflows</u>
<u>August 31,</u>	
2022	(4,188)
2023	(2,579)
2024	(4,867)
2025	(3,862)
Total	<u>\$ (15,498)</u>

Actuarial Methods and Assumptions Used to Determine Pension amounts:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Inflation	3.0%
Salary Increases	N/A
Investment Rate of Return	7.5%, net of investment expenses, including inflation
Cost of living adjustments	None
Mortality rates	Based on PubS-2010 (public safety) below-median income mortality table for retirees projected for mortality improvement generationally using projection scale MP-2019

CITY OF SAN SABA, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - GASB 75 REPORTING
SUPPLEMENTAL DEATH BENEFITS FUND

Actuarial Valuation and Measurement Date	Year Ended December 31,				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Membership ⁽¹⁾					
Number of					
- Inactive employees currently receiving benefits	20	20	20	21	20
- Inactive employees entitled, but not yet receiving benefits	5	5	5	4	3
- Active employees	47	46	43	45	46
TOTAL	72	71	68	70	69
Covered Payroll	\$2,204,650	\$1,970,220	\$1,853,912	\$1,739,818	\$1,776,431
Changes in the Total OPEB Liability					
Total OPEB Liability - beginning of year	\$ 175,839	\$ 152,256	\$ 127,279	\$ 127,627	\$ 107,988
Changes for the year:					
Service Cost	12,567	9,260	6,118	6,437	5,862
Interest on Total OPEB Liability	3,603	4,295	4,815	4,317	4,193
Changes in benefit terms including TMRS plan participation	-	-	-	-	-
Differences between expected and actual experience	(4,861)	(11,191)	(8,327)	(1,489)	-
Changes in assumptions or other inputs	5,608	22,598	23,483	(8,743)	9,584
Benefit payments ⁽²⁾	(3,968)	(1,379)	(1,112)	(870)	-
Net changes	12,949	23,583	24,977	(348)	19,639
Total OPEB Liability - end of year	\$ 188,788	\$ 175,839	\$ 152,256	\$ 127,279	\$ 127,627
Total OPEB Liability as a Percentage of Covered Payroll	8.56%	8.92%	8.21%	7.32%	7.18%

Notes to Schedule:

- Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (ie - excludes beneficiaries, non-vested terminations due a refund, etc.)
- Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefits payments are treated as being equal to employer's yearly contributions for retirees.

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates -disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

