CITY OF SAN SABA, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

KEVIN SHAHAN, CPA, PLLC
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CITY OF SAN SABA, TEXAS
ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2024, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered

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material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 24, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.

San Saba, Texas
December 24, 2024

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, 2024. 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 (which begin 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. The primary purpose of the Statements is to show whether the City's financial condition has improved as a result of 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 also 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) provides 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, 2024, net position of the City's governmental activities decreased $205,908 (which includes a prior period GASB 75 adjustment to net position of $137,559), from $1,169,969 to $964,061, or 17.6%.

For the year ended September 30, 2024, net position of the City's business-type activities increased $231,802 from $8,879,087 to $9,110,889, or 2.6%.

The largest portion of the City's total net position, $6,833,929 (67.8%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements, and machinery and equipment), less any debt used to acquire those assets remaining 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 position

GOVERNMENT-WIDE FINANCIAL ANALYSIS – *Continued*

of $709,572 (7.0%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position of $2,531,449 (25.1%) may be used to meet ongoing obligations to citizens and creditors. As of September 30, 2024, 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, 2024			Year Ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 1,133,768	$ 3,979,388	$ 5,113,156	$ 552,065	$4,349,042	$ 4,901,107
Capital assets, net	1,638,870	8,316,300	9,955,170	1,795,017	7,604,314	9,399,331
Total assets	2,772,638	12,295,688	15,068,326	2,347,082	11,953,356	14,300,438
Deferred outflows	2,975	-	2,975	784,791	441,395	1,226,186
Current liabilities	289,849	175,979	465,828	287,205	229,711	516,916
Noncurrent liabilities	1,260,322	2,942,039	4,202,361	1,603,227	3,285,953	4,889,180
Total liabilities	1,550,171	3,118,018	4,668,189	1,890,432	3,515,664	5,406,096
Deferred inflows	261,381	66,781	328,162	71,472	-	71,472
Net position						
Inv in Capital assets, net	862,934	5,970,995	6,833,929	911,506	5,032,880	5,944,386
Restricted for:						
Debt service	10,011	699,561	709,572	409,340	378,227	787,567
Unrestricted	91,116	2,440,333	2,531,449	(150,877)	3,467,980	3,317,103
Total net position	$ 964,061	$ 9,110,889	$ 10,074,950	$ 1,169,969	$8,879,087	$ 10,049,056

Analysis of the City's Operations

Governmental activities reported a decrease in net position of $205,908 (which includes a prior period GASB 75 adjustment to net position of $137,559), or 17.6%. The governmental decrease in net position is primarily the result of annual changes in the net pension liability and deferred inflows and outflows related to pensions and OPEB. The net effect of these changes was a reduction to Governmental Activities net position of $477,353. In addition, a prior period GASB 75 adjustment of $137,559 was made to the 2024 year-end financial statements for the City's supplemental death benefit plan OPEB liability, which decreased net position for Governmental Activities.

The City experienced an increase in property tax revenues and investment income. Changes in tax revenues from the prior year included an increase in combined property taxes, sales tax, and other tax revenues of $116,448, or 7.7%. Interest income increased to $189,232 for governmental activities, compared to $126,556 in the prior year. Grant revenues increased by $110,082 for an airport grant and new sidewalk grant. Total governmental activities revenues of $2,749,288 (not including transfers) increased by 8.3% compared to the prior year, while governmental expenditures of $5,529,523 increased by $1,039,455, or 23.15% compared to the prior year. $614,912 of the increase in general government expenditures compared to the prior year is the result of increased expenditures related to TMRS pension and OPEB activity and changes in deferred outflows and inflows of resources. In addition, payroll and related costs increased 9.2% and health insurance costs increased 10% compared to the prior

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

year. The government-wide financial statements also include annual adjustments for the City's pension liability (as disclosed in Note VI), which have an impact on the total expenditures.

Business-type activities reported an increase in net position in the amount of $231,802, or 2.6%. Business-type activities reported an overall increase in revenues from fiscal year 2023 to 2024 of $531,090, or 9.2%. Electric revenues increased $1,070,212, or 20.5% due to an electric distribution improvement project. Operating transfers from Enterprise Funds to Governmental Funds increased $610,574, or 29.1% compared to the prior year. Total operating expenses increased $611,630, or 11.2%, primarily related to increased power purchase expenditures for the Electric department of $249,561, or 9.5%.

The following table provides a summary of the City's operations for the years ended 2024 and 2023.

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

	Year Ended September 30, 2024			Year Ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 493,351	$ 8,795,341	$ 9,288,692	$ 509,674	$ 7,733,476	$ 8,243,150
Grant revenues	120,666	57,074	177,740	10,584	43,176	53,760
General revenues:						
Property taxes	771,810		771,810	731,295		731,295
Sales taxes	735,582		735,582	681,798		681,798
Other taxes	105,132		105,132	103,195		103,195
Licenses, fees, fines	127,604		127,604	91,303		91,303
Rents and royalties	65,992		65,992	54,786		54,786
Investment earnings	189,232	17,784	207,016	126,556	4,081	130,637
Other revenue	139,919	129,148	269,067	229,522	76,950	30,6472
Transfer in (out)	2,711,886	(2,711,886)	-	2,101,312	(2,101,312)	-
Total revenues	5,461,174	6,287,461	11,748,635	4,640,025	5,756,371	10,396,396
Expenses:						
General government	2,428,772		2,428,772	1,197,244		1,197,244
Public safety	1,174,461		1,174,461	1,118,748		1,118,748
Streets	444,021		444,021	502,943		502,943
Parks and recreation	1,396,226		1,396,226	1,591,806		1,591,806
Public health	39,905		39,905	45,776		45,776
Interest expense	46,138	83,310	129,448	33,551	80,279	113,830
Utility fund expenses		5,972,349	5,972,349		5,363,750	5,363,750
Total expenses	5,529,523	6,055,659	11,585,182	4,490,068	5,444,029	9,934,097
Change in net position	(68,349)	231,802	163,453	149,957	312,342	462,299
Prior period adjustment	(137,559)		(137,559)			
Net position prior year	1,169,969	8,879,087	10,049,056	1,020,012	7,591,360	9,586,757
Net position current year	$ 964,061	$ 9,110,889	$ 10,074,950	$1,169,969	$ 8,566,745	$10,049,056

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 $973,757, an increase of $439,366, or 7.4% from the prior year end balance of $534,391, primarily as a result of an additional $400,000 transfer of funds from the Electric Fund to the General Fund. The unassigned fund balance of $943,589 increased $833,245, or 755% compared to the prior year's unassigned balance of $110,344. 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 wastewater improvements will be capitalized in the respective enterprise funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2024, the City had $9,955,170 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, 2024		
	Governmental Activities	Business-Type Activities	Total
Land	$ 427,814	$ 16,656	$ 444,470
Buildings and improvements	4,067,570	12,694,676	16,762,246
Machinery and equipment	2,985,449	4,618,527	7,603,976
	7,480,833	17,329,859	24,810,692
Less accumulated depreciation	(5,841,963)	(9,013,559)	(14,855,522)
Capital assets, net of depreciation	$ 1,638,870	$ 8,316,300	$ 9,955,170

	Year ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total
Land	$ 427,814	$ 16,656	$ 444,470
Buildings and improvements	4,034,035	11,608,483	15,642,518
Machinery and equipment	2,947,006	4,484,812	7,431,818
	7,408,855	16,109,951	23,518,806
Less accumulated depreciation	(5,613,838)	(8,505,637)	(14,119,475)
Capital assets, net of depreciation	$ 1,795,017	$ 7,604,314	$ 9,399,331

CAPITAL ASSET AND DEBT ADMINISTRATION – *Continued*

Outstanding Debt

As of September 30, 2024, the City had $3,717,392 in bonds, certificates of obligation, and capital leases outstanding versus $4,028,664 last year; a decrease of $311,272, or 7.7% as follows:

Table IV
City of San Saba, Texas
Outstanding Debt

	Year ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total
Capital leases	$ 679,930	$ 834,698	$ 1,514,628
Certificates of obligation	85,000	1,507,026	1,592,026
Customer deposits		355,726	355,726
Transfer site liability		47,387	47,387
Compensated absences	126,366	81,259	207,625
Total	$ 891,296	$ 2,826,096	$ 3,717,392

	Year ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total
Capital leases	$ 703,516	$ 1,003,305	$ 1,706,821
Bonds payable		27,000	27,000
Certificates of obligation	185,000	1,537,026	1,722,026
Customer deposits		349,985	349,985
Transfer site liability		42,335	42,335
Compensated absences	114,050	66,447	180,497
Total	$ 1,002,566	$ 3,026,098	$ 4,028,664

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, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total	San Saba Economic Dev Corp Fund
Assets				
Current assets:				
Cash and cash equivalents	$ 990,194	$ 2,183,954	$ 3,174,148	$ 266,025
Investments – current	-	260,071	260,071	200,000
Receivables (net of allowance)	143,574	804,148	947,722	-
Inventories	-	731,215	731,215	-
Total current assets	1,133,768	3,979,388	5,113,156	466,025
Capital assets:				
Land	427,814	16,656	444,470	200,000
Building and improvements	4,067,570	12,694,676	16,762,246	528,020
Machinery and equipment	2,985,449	4,618,527	7,603,976	417,378
Accumulated depreciation	(5,841,963)	(9,013,559)	(14,855,522)	(460,240)
Net capital assets	1,638,870	8,316,300	9,955,170	685,158
Total assets	2,772,638	12,295,688	15,068,326	1,151,183
Deferred outflows of resources				
Deferred outflows for pensions	2,975	-	2,975	-
Total deferred outflow of resources	2,975	-	2,975	-
LIABILITIES				
Accounts payable and other current liabilities	32,717	-	32,717	-
Accrued interest payable	9,776	3,581	13,357	3,581
Capital lease and debt obligations current portion	247,356	172,398	419,754	14,547
Total current liabilities	289,849	175,979	465,828	18,128
Noncurrent liabilities:				
Capital lease and debt obligations	517,574	2,169,326	2,686,900	149,655
Net pension liability	475,848	288,341	764,189	-
OPEB liability	140,534	-	140,534	-
Other noncurrent liabilities	126,366	484,372	610,738	-
Total noncurrent liabilities	1,260,322	2,942,039	4,202,361	149,655
Total liabilities	1,550,171	3,118,018	4,668,189	167,783
Deferred inflows of resources				
Deferred inflows for pensions	110,184	66,781	176,965	-
Deferred ad valorem tax revenues	151,197	-	151,197	-
Total deferred inflow of resources	261,381	66,781	328,162	-
NET POSITION				
Net investment in capital assets	862,934	5,970,995	6,833,929	517,375
Restricted for:				
Debt service	10,011	699,561	709,572	-
Unrestricted	91,116	2,440,333	2,531,449	466,025
Total net position	$ 964,061	$ 9,110,889	$10,074,950	$ 983,400

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, 2024

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
GOVERNMENTAL ACTIVITIES:				
General government	$ 2,428,772	$	$ 2,968	$ 117,698
Public safety	1,174,461			
Streets	444,021	680		
Public health and welfare	39,905			
Parks and recreation	1,396,226	492,671		
Interest on debt	46,138			
	5,529,523	493,351	2,968	117,698
BUSINESS-TYPE ACTIVITIES				
Utility fund	5,972,349	8,795,341		57,074
	5,972,349	8,795,341	-	57,074
TOTAL PRIMARY GOVERNMENT	$11,501,872	$ 9,288,692	$ 2,968	$ 174,772
COMPONENT UNIT				
Component unit	168,930			150,000
TOTAL COMPONENT UNIT	$ 168,930	$	$	$ 150,000

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
Prior period GASB 75 OPEB adjustment
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
$ (2,308,106)	$	$ (2,308,106)	$
(1,174,461)		(1,174,461)	
(443,341)		(443,341)	
(39,905)		(39,905)	
(903,555)		(903,555)	
(46,138)	(83,310)	(129,448)	
(4,915,506)	(83,310)	(4,998,816)	-
	2,880,066	2,880,066	
-	2,880,066	2,880,066	-
$ (4,915,506)	$ 2,796,756	$ (2,118,750)	$
			(18,930)
$	$	$	$ (18,930)
771,810		771,810	
735,582		735,582	245,191
105,132		105,132	
20,212		20,212	
10,811		10,811	
96,581		96,581	
65,992		65,992	
139,919	129,148	269,067	45,789
189,232	17,784	207,016	400
2,711,886	(2,711,886)	-	
$ 4,847,157	$ (2,564,954)	$ 2,282,203	$ 291,380
(68,349)	231,802	163,453	272,450
(137,559)	-	(137,559)	
1,169,969	8,879,087	10,049,056	710,950
$ 964,061	$ 9,110,889	$ 10,074,950	$ 983,400

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, 2024

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	$ 580,620	$ 409,574	$ 990,194
Taxes receivable	66,197	85,000	151,197
Other current assets	3,969	22,087	26,056
Total Assets	$ 650,786	$ 516,661	$ 1,167,447
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 41,091	$ 1,402	$ 42,493
Total Liabilities	41,091	1,402	42,493
Deferred inflow of resources			
Deferred ad valorem taxes	66,197	85,000	151,197
Total deferred inflow of resources	66,197	85,000	151,197
Fund Balances:			
Restricted for debt service	-	10,011	10,011
Assigned to:			
Fire department	1,934	-	1,934
Keep San Saba Beautiful	16,188	-	16,188
Park lights	2,035	-	2,035
Unassigned	523,341	420,248	943,589
Total Fund Balances	543,498	430,259	973,757
Total Liabilities and Fund Balances	$ 650,786	$ 516,661	$ 1,167,447

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, 2024

Total Fund Balances - Governmental Funds	$ 973,757
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 capital assets was $7,408,855 and the accumulated depreciation was $5,613,838. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and thus 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.	918,735
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 2024 capital outlays and debt payments less disposals of assets is to increase net position.	334,001
The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(368,127)
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 $475,848. Also included in the statement of net position, are deferred inflows in the amount of $110,184, 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.	(477,353)
Included in noncurrent liabilities is the recognition of the City's share of the OPEB liability required by GASB 75 in the amount of $140,534. Also included in the statement of net position, are deferred outflows in the amount of $2,975, which is the first year this has been recognized in the finanical statements. Additionally, changes in OPEB liabilities have been included, which results in a current year decrease in net position.	(137,559)
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, considering proceeds from new lease finance agreements, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and eliminations is to decrease net position.	(279,393)
Net Position of Governmental Activities	$ 964,061

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, 2024

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property taxes	$ 593,560	$ 198,462	$ 792,022
General sales and use taxes	735,582		735,582
Other taxes and franchise fees	105,132		105,132
Licenses and permits	10,810		10,810
Charges for services	492,672		492,672
Fines	96,581		96,581
Investment income	165,305	23,927	189,232
Rents and royalties	65,992		65,992
Grant income	120,666		120,666
Other revenues	140,599		140,599
Total Revenues	2,526,899	222,389	2,749,288
EXPENDITURES:			
Current:			
General government	1,946,787		1,946,787
Public safety	1,048,903		1,048,903
Streets	368,131		368,131
Parks and recreation	1,247,811		1,247,811
Public health	29,736	301	30,037
Debt service:			
Principal	162,642	100,000	262,642
Interest and fiscal charges	39,724	6,414	46,138
Capital Outlay:			
Capital outlay	71,359		71,359
Total Expenditures	4,915,093	106,715	5,021,808
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,388,194)	115,674	(2,272,520)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	2,806,641	(94,755)	2,711,886
Total Other Financing Sources and (Uses)	2,806,641	(94,755)	2,711,886
NET CHANGES IN FUND BALANCES	418,447	20,919	439,366
Fund Balance - October 1 (Beginning)	125,051	409,340	534,391
Fund Balance - September 30 (Ending)	$ 543,498	$ 430,259	$ 973,757

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, 2024

Total Net Change in Fund Balances - Governmental Funds	$ 439,366
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 2024 capital outlays, asset dispositions and debt payments is to increase net position.	334,001
Depreciation is not recognized as an expense in governmental funds since it does not require the use of the current year's depreciation is to decrease net position.	(368,127)
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 12/31/2023 caused the ending net position to increase by $17,508. Also, the change in contributions made before the measurement date, but during 2023-2024 FY, were de-expended and recorded as a reduction in the net pension liability of the City, which decreased net position by $4,076. The City recorded its share of pension expense of $157,138 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 $477,353.	(477,353)
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, considering proceeds from new lease finance agreements, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and eliminations is to decrease net position.	3,764
Change in Net Position of Governmental Funds	$ (68,349)

The accompanying notes are integral part of the financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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CITY OF SAN SABA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	TOTAL
ASSETS					
Current Assets					
Cash and cash equivalents	$ 474,577	$ 820,510	$ 748,462	$ 140,405	$ 2,183,954
Investments - current	59,834	90,762	109,475	-	260,071
Accounts receivable - net of uncollectible accounts	103,535	78,802	549,401	72,410	804,148
Inventories	252,102	22,301	456,812	-	731,215
Total current assets	890,048	1,012,375	1,864,150	212,815	3,979,388
Non-current Assets					
Capital assets:					
Land	-	14,206	2,450	-	16,656
Buildings and improvements	4,491,997	4,589,615	3,569,320	43,744	12,694,676
Machinery and equipment	1,416,970	879,929	1,031,583	1,290,045	4,618,527
Accumulated depreciation	(2,146,436)	(3,291,757)	(2,556,534)	(1,018,832)	(9,013,559)
Total non-current assets	3,762,531	2,191,993	2,046,819	314,957	8,316,300
Total Assets	4,652,579	3,204,368	3,910,969	527,772	12,295,688
LIABILITIES					
Current Liabilities					
Accrued interest payable	3,581	-	-	-	3,581
Revenue bonds & notes payable - current	31,000	-	-	-	31,000
Capital leases payable - current	21,945	39,220	28,044	52,189	141,398
Other current liabilities	-	-	-	-	-
Total current liabilities	56,526	39,220	28,044	52,189	175,979
Non-current liabilities					
Revenue bonds and notes payable	1,476,026	-	-	-	1,476,026
Capital leases payable	141,473	262,461	28,961	260,405	693,300
Customer deposits	153,296	-	202,431	-	355,727
Net pension liability	46,990	46,927	111,208	83,216	288,341
Other non-current liabilities	13,947	11,549	34,669	68,480	128,645
Total non-current liabilities	1,831,732	320,937	377,269	412,101	2,942,039
Total Liabilities	1,888,258	360,157	405,313	464,290	3,118,018
DEFERRED INFLOWS OF RESOURCES					
Deferred outflows/(inflows) of resources	10,881	10,881	25,750	19,269	66,781
Total deferred inflows of resources	10,881	10,881	25,750	19,269	66,781
NET POSITION					
Net investment in capital assets	2,088,506	1,890,312	1,989,814	2,363	5,970,995
Restricted for debt service	611,757	62,733	25,071	-	699,561
Unrestricted	53,177	880,285	1,465,021	41,850	2,440,333
Total Net Position	$ 2,753,440	$ 2,833,330	$ 3,479,906	$ 44,213	$ 9,110,889

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, 2024

	Business-Type Activities - Enterprise Funds				
	Water Fund	**Sewer Fund**	**Electric Fund**	**Garbage Fund**	**TOTAL**
OPERATING REVENUES					
Charges for services	$ 1,125,148	$ 630,182	$ 6,290,745	$ 749,266	$ 8,795,341
Grant revenues	57,074	-	-	-	57,074
Other revenues	3,368	125,780	-	-	129,148
Total operating revenues	1,185,590	755,962	6,290,745	749,266	8,981,563
OPERATING EXPENSES					
Salaries and wages	167,237	167,012	395,786	296,164	1,026,199
Employee benefits	57,644	57,851	118,144	137,490	371,129
Purchased power	-	-	2,728,350	-	2,728,350
Other operating expenses	303,601	197,546	342,028	394,900	1,238,075
Supplies	14,822	19,585	8,754	57,513	100,674
Depreciation	155,942	163,733	97,522	90,725	507,922
Total operating expenses	699,246	605,727	3,690,584	976,792	5,972,349
Operating income	486,344	150,235	2,600,161	(227,526)	3,009,214
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	5,591	6,974	5,169	50	17,784
Interest expense - non-operating	(55,831)	(10,622)	(2,752)	(14,105)	(83,310)
Total non-operating revenues (expenses)	(50,240)	(3,648)	2,417	(14,055)	(65,526)
INCOME (LOSS) BEFORE TRANSFERS	436,104	146,587	2,602,578	(241,581)	2,943,688
Transfers in	73,891	-	-	192,000	265,891
Transfers out	(506,000)	(226,506)	(2,245,271)	-	(2,977,777)
Change in net position	3,995	(79,919)	357,307	(49,581)	231,802
Net Position - beginning	2,749,445	2,913,249	3,122,599	93,794	8,879,087
Net Position - ending	$ 2,753,440	$ 2,833,330	$ 3,479,906	$ 44,213	$ 9,110,889

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, 2024

	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	$ 1,156,906	$ 626,255	$ 6,396,898	$ 750,992	$ 8,931,051
Cash payments to employees for services	(115,966)	(116,142)	(268,117)	(200,107)	(700,332)
Cash payments to suppliers	(382,665)	(287,187)	(3,305,301)	(584,851)	(4,560,004)
Other operating income	60,442	125,780	-	-	186,222
Net Cash Provided by Operating Activities	718,717	348,706	2,823,480	(33,966)	3,856,937
Cash Flows from Non-Capital Financing Activities:					
Transfers in	73,891	-	-	192,000	265,891
Transfers out	(506,000)	(226,506)	(2,245,271)	-	(2,977,777)
Net Cash Used for Non-Capital Financing Activities	(432,109)	(226,506)	(2,245,271)	192,000	(2,711,886)
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(140,642)	-	(1,067,370)	(11,896)	(1,219,908)
Principal paid on debt and capital leases	(84,731)	(38,031)	(27,156)	(76,212)	(226,130)
Interest paid on debt and capital leases	(55,831)	(10,622)	(2,752)	(14,105)	(83,310)
Proceeds from financing activities	-	-	-	-	-
Net Cash Provided by (used for) Capital and Related Financing Activities	(281,204)	(48,653)	(1,097,278)	(102,213)	(1,529,348)
Cash Flows from Investing Activities:					
Interest and dividends on investments	5,591	6,974	5,169	50	17,784
Net Cash Provided by (used for) Investing Activities	5,591	6,974	5,169	50	17,784
Net increase (decrease) in cash and cash equivalents	10,995	80,521	(513,900)	55,871	(366,513)
Cash and Cash Equivalents at Beginning of the Year	523,416	830,751	1,371,837	84,534	2,810,538
Cash and Cash Equivalents at End of the Year	$ 534,411	$ 911,272	$ 857,937	$ 140,405	$ 2,444,025
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	$ 486,344	$ 150,235	$ 2,600,161	$(227,526)	$ 3,009,214
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	155,942	163,733	97,522	90,725	507,922
Effect of increases and decreases in assets and liabilities:					
Decrease (increase) in receivables	31,758	(3,927)	106,153	1,727	135,711
Decrease (increase) in inventories	(7,371)	(12,205)	(112,993)	-	(132,569)
Decrease (increase) in deferred outflows	83,652	84,803	192,290	147,431	508,176
Increase (decrease) in compensated absences	666	442	7,338	6,368	14,814
Increase (decrease) in net pension liabilities	(33,047)	(34,375)	(71,959)	(57,742)	(197,123)
Increase (decrease) in other noncurrent	773	-	4,968	5,051	10,792
Net Cash Provided by Operating Activities	$ 718,717	$ 348,706	$ 2,823,480	$ (33,966)	$ 3,856,937

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. The City pays San Saba County $9,162 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 $366 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 $28,924 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 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 $101,424 and $42,372 for such services. These expenditures are recorded in the general fund.

Financial support from the City for these joint ventures has remained stable in recent 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.

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.

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

D. ASSETS, LIABILITIES, AND EQUITY

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, 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

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.

G. ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimations and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual result may differ from these estimates.

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, 2024, the City complied, in all material respects, with all revenue restrictions.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

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	$ 275,071	$ 275,071
Category 2	2,947,222	4,104,461
Total	$ 3,222,293	$ 4,379,532

For the fiscal year 2024, 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, 2024, was as follows:

	Balance September 30, 2023	Additions	Dispositions	Balance September 30, 2024
Governmental activities:				
Land	$ 427,814	$	$	$ 427,814
Buildings	946,099			946,099
Improvements	3,087,936	33,535		3,121,471
Machinery and equipment	2,947,006	178,446	(140,003)	2,985,449
Totals at historical cost	7,408,855	211,981	(140,003)	7,480,833
Less accumulated depreciation				
Buildings	(789,196)	(31,390)		(820,586)
Improvements	(2,379,496)	(70,383)		(2,449,879)
Machinery and equipment	(2,445,146)	(266,355)	140,003	(2,571,498)
Total accumulated depreciation	(5,613,838)	(368,128)	140,003	(5,841,963)
Governmental activities capital assets, net	$ 1,795,017	$ (156,147)	$ -	$ 1,638,870

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – CONTINUED

B. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2023	Additions	Dispositions	Balance September 30, 2024
Business-type activities:				
Land	$ 16,656			$ 16,656
Buildings and improvements	11,608,483	1,086,193		12,694,676
Machinery and equipment	4,484,812	133,715	-	4,618,527
Totals at historical cost	16,109,951	1,219,908	-	17,329,859
Less accumulated depreciation				
Total accumulated depreciation	(8,505,637)	(507,922)	-	(9,013,559)
Business-type capital assets, net	$ 7,604,314	$ 711,986	$ -	$ 8,316,300

Depreciation expense was charged to governmental activities as follows:

	Amount
General government	$ 8,096
Public safety and judiciary	125,557
Streets	75,890
Parks and recreation	148,416
Public health	10,169
Total depreciation expense	$ 368,128

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, 2024
General Fund	
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%.	16,637
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%.	48,542
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 and interest at 3.27%	42,215

C. LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

General Fund – *continued*	Balance September 30, 2024
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%	7,510
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 3.8777%	7,992
Lease purchase with First Security State Bank in the original amount of $58,060 on February 4, 2022, for a Rainbird Automated Water System with annual payments of $9,478 including interest at 3.45%	42,853
Lease purchase with First Security State Bank in the original amount of $65,920 on April 29, 2022, for a Farmall Tractor with annual payments of $12,247.83 including interest at 3.196%	45,314
Lease purchase with First Security State Bank in the original amount of $24,165 on March 25, 2022, for mowers with annual payments of $6,547.78 including interest at 3.30%	12,475
Lease purchase with First Security State Bank in the original amount of $63,550 on November 12, 2021, for a 2022 Ford F150 Police with annual payments of $10,309.10 including interest at 3.283%	46,834
Lease purchase with First Security State Bank in the original amount of $47,065 on February 24, 2023, for Golf Cart Sheds with annual payments of $8,398.06 including interest at 5.890%	41,439
Lease purchase with First Security State Bank in the original amount of $96,957 on July 21, 2023, for a 2023 Chevrolet Police with annual payments of $17,077.61 including interest at 5.527%	85,239
Lease purchase with First Security State Bank in the original amount of $47,937 on July 21, 2023, for Police Body Cameras with annual payments of $10,432.54 including interest at 8.20%	41,435
Lease purchase with First Security State Bank in the original amount of $53,086 on November 30, 2022, for Golf Greens Sprayer with annual payments of $12,558.60 including interest at 5.872%	43,644

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – CONTINUED

C. LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

	Balance September 30, 2024
General Fund – *continued*	
Lease purchase with Yamaha Financial in the original amount of $59,700 on April 1, 2023, for Golf Carts with monthly payments of $1,358.85 including interest at 4.60%	38,533
Lease purchase with First Security State Bank in the original amount of $32,473 on June 24, 2022, for a 2023 Chevrolet Truck with annual payments of $7,436.19 including interest at 4.69%	20,369
Lease purchase with First Security State Bank in the original amount of $90,962 on November 2, 2023, for a 2024 Chevy Tahoe with annual payments of $16,439.48 including interest at 6.25%	90,962
Lease purchase with First Security State Bank in the original amount of $47,937 on November 2, 2023, for Body Cameras and Equipment with annual payments of $10,717.97 including interest at 9.10%	47,937
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.	85,000
Accrued compensated absences	126,366
Total general long-term debt	$ 891,296
Less amounts due within one year	247,356
Amounts due in more than one year	$ 643,940

BUSINESS-TYPE ACTIVITIES

The long-term debt payable from proprietary fund resources (business-type activities) consisted of the following:

	Balance September 30, 2024
Water fund	
Lease purchase with First Security State Bank in the original amount of $53,343 on February 4, 2022, for a 2022 Ford F250 with annual payments of $11,748 including interest at 3.30%.	33,038

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES

	Balance September 30, 2024
Water fund - *continued*	
Lease purchase with First Security State Bank in the original amount of $141,015 on November 30, 2022, for a Generator and SCADA mods with annual payments of $19,273.05 and interest at 6.125%	130,379
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.	1,507,026
Accrued compensated absences	13,947
Customer deposits	153,296
Total water fund long-term debt	$ 1,837,686
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%.	301,681
Accrued compensated absences	11,549
Total sewer fund long-term debt	$ 313,230
Electric fund	
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%.	57,005
Accrued compensated absences	34,669
Customer deposits	202,431
Total electric fund long-term debt	$ 294,105

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – CONTINUED

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES

	Balance September 30, 2024
Garbage fund	
Lease purchase with First Security State Bank in the original amount of $122,940 on August 4, 2022, for a 2024 International 620 Truck with annual payments of $20,460 including interest at 3.97%.	91,162
Lease purchase with Spirit of Texas Bank in the original amount of $202,236 on February 24, 2022, for a 2023 Freightliner M2106 with annual payments of $23,557 including interest at 2.875%.	166,240
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%.	21,734
Lease purchase with First Security State Bank in the original amount of $39,000 on April 12, 2023, for a John Deere Backhoe with annual payments of $8,018 including interest at 6.346%.	33,458
Accrued compensated absences	21,094
Transfer site liability	47,387
Total garbage fund long-term debt	$ 381,075
Total enterprise fund long-term debt	$ 2,826,096
Amounts due within one year	172,398
Amounts due in more than one year	$ 2,653,698

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – CONTINUED

C. LONG-TERM DEBT – CONTINUED

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, 2024.

	Governmental Activities			
	Payable at 9/30/2023	Additions	Deletions	Payable at 9/30/2024
Capital leases	$ 703,516	$ 138,898	$ 162,484	$ 679,930
Certificates of obligation	185,000	-	100,000	85,000
Compensated absences	114,050	12,316	-	126,366
Totals	$ 1,002,566	$ 151,214	$ 262,484	$ 891,296

	Enterprise Funds			
	Payable at 9/30/2023	Additions	Deletions	Payable at 9/30/2024
Bonds Payable	$ 27,000	$ -	$ 27,000	$ -
Capital Leases	1,003,305	-	168,607	834,698
Certificates of obligation	1,537,026	-	30,000	1,507,026
Transfer site liability	42,335	5,052	-	47.387
Compensated absences	66,447	14,812	-	81,259
Customer deposits	349,985	5,741	-	355,726
Totals	$ 3,026,098	$ 25,605	$ 225,607	$ 2,826,096

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, 2024, including interest payments are as follows:

Year ending September 30,	Principal	Interest	Total
2025	85,000	2,104	87,104
Total	$ 85,000	$ 2,104	$ 87,104