

CITY OF SAN SABA, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025



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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, 2025, 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, 2025, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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 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, 2025, 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, 2025

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, 2025. 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:

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

Reporting the City as a Whole – *Continued*

Governmental activities — The majority 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, 2025, net position of the City's governmental activities increased \$580,667, from \$964,061 to \$1,544,728, or 60.2%.

For the year ended September 30, 2025, net position of the City's business-type activities decreased \$285,055, from \$9,110,889 to \$8,825,834, or 3.13%.

The largest portion of the City's total net position of \$6,724,658 (64.8%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements, and machinery and equipment), less any debt used to acquire those assets that remains 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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

increased \$68,893, or 18.7%. In addition, the City's total payroll costs increased 7.4% and health insurance costs increased 17.6% compared to the prior year.

Business-type activities reported a decrease in net position in the amount of \$285,055, or 3.1%. Business-type activities reported an overall decrease in revenues from fiscal year 2024 to 2025 of \$1,095,738, or 12.2%. Electric revenues decreased \$953,071, or 15.15% due to the completion of an electric distribution improvement project. Operating transfers from Enterprise Funds to Governmental Funds decreased \$446,781, or 15.0% compared to the prior year. Total operating expenses decreased \$289,152, or 4.9%, primarily related to decreased power purchase expenditures for the Electric department of \$115,536, or 4.2% and decreased other operating expenses for the Electric department of \$216,479, or 63.3%.

The following table provides a summary of the City's operations for the years ended 2025 and 2024.

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

	Year Ended September 30, 2025			Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 465,807	\$ 7,768,013	\$ 8,233,820	\$ 493,351	\$ 8,795,341	\$ 9,288,692
Grant revenues	555,441		555,441	120,666	57,074	177,740
General revenues:						
Property taxes	800,541		800,541	771,810		771,810
Sales taxes	697,737		697,737	735,582		735,582
Other taxes	104,141		104,141	105,132		105,132
Licenses, fees, fines	124,167		124,167	127,604		127,604
Rents and royalties	77,068		77,068	65,992		65,992
Investment earnings	140,422	15,601	156,023	189,232	17,784	207,016
Other revenue	590,848	119,995	710,843	139,919	129,148	269,067
Transfer in (out)	2,426,931	(2,426,931)	-	2,711,886	(2,711,886)	-
Total revenues	5,983,103	5,476,678	11,459,781	5,461,174	6,287,461	11,748,635
Expenses:						
General government	1,963,817		1,963,817	2,428,772		2,428,772
Public safety	1,326,176		1,326,176	1,174,461		1,174,461
Streets	435,601		435,601	444,021		444,021
Parks and recreation	1,593,131		1,593,131	1,396,226		1,396,226
Public health	22,930		22,930	39,905		39,905
Interest expense	60,781	78,536	139,317	46,138	83,310	129,448
Utility fund expenses		5,683,197	5,683,197		5,972,349	5,972,349
Total expenses	5,402,436	5,761,733	11,164,169	5,529,523	6,055,659	11,585,182
Change in net position	580,667	(285,055)	295,612	(68,349)	231,802	163,453
Net position prior year	964,061	9,110,889	10,074,950	1,169,969	8,879,087	10,049,056
Net position current year	\$ 1,544,728	\$ 8,825,834	\$ 10,370,562	\$ 964,061	\$ 9,110,889	\$ 10,074,950

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

of \$959,642 (9.3%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position of \$2,686,262 (25.9%) may be used to meet ongoing obligations to citizens and creditors. As of September 30, 2025, 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, 2025			Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,199,388	\$ 3,716,677	\$ 4,916,065	\$ 1,133,768	\$ 3,979,388	\$ 5,113,156
Capital assets, net	1,926,720	8,022,499	9,949,219	1,638,870	8,316,300	9,955,170
Total assets	3,126,108	11,739,176	14,865,284	2,772,638	12,295,688	15,068,326
Deferred outflows	118,748	71,858	190,606	2,975	-	2,975
Current liabilities	210,501	192,188	402,689	289,849	175,979	465,828
Noncurrent liabilities	1,397,933	2,793,012	4,190,945	1,260,322	2,942,039	4,202,361
Total liabilities	1,608,434	2,985,200	4,593,634	1,550,171	3,118,018	4,668,189
Deferred inflows	91,694	-	91,694	261,381	66,781	328,162
Net position						
Inv in Capital assets, net	965,544	5,759,114	6,724,658	862,934	5,970,995	6,833,929
Restricted for:						
Debt service	484,287	475,355	959,642	10,011	699,561	709,572
Unrestricted	94,897	2,591,365	2,686,262	91,116	2,440,333	2,531,449
Total net position	<u>\$ 1,544,728</u>	<u>\$ 8,825,834</u>	<u>\$ 10,370,562</u>	<u>\$ 964,061</u>	<u>\$ 9,110,889</u>	<u>\$ 10,074,950</u>

Analysis of the City's Operations

Governmental activities reported an increase in net position of \$580,667, or 60.2%. The governmental increase 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 the Governmental Activities net position of \$351,651. In addition, insurance proceeds of \$449,550 were received during the fiscal year to replace equipment and assets destroyed by historic July 2025 flooding, which also increased net position for Governmental Activities.

The City experienced an increase in combined property taxes and penalties and interest of \$37,813, or 4.8%, and grant revenues increased by \$434,775 for continuing airport and sidewalk grants compared to the prior year. Meanwhile, investment income decreased to \$140,422 for governmental activities, compared to \$189,232 in the prior year. Total governmental activities revenues of \$3,556,172 (not including transfers) increased by 29.3% compared to the prior year, while governmental expenditures of \$5,402,436 decreased by \$127,087, or 2.3% compared to the prior year. The decrease in expenditures is primarily related to an annual pension adjustment of \$351,651 for 2025 (see disclosures in Notes VI and VII to the financial statements). Expenditures which increased for the year include sidewalk and airport grant expenditures of \$426,834, in addition to EMS and Fire Department expenditures, which increased \$66,582, or 45.1%, as well as golf course supplies and tournament expenses, which

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

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 \$1,092,380. This represents an increase of \$118,623, or 12.2% from the prior year end balance of \$973,757, primarily as a result of an increase in insurance proceeds and lease proceeds for capital expenditures offset by capital outlay purchases to replace City assets destroyed in the historic flood in July 2025. In addition, a lower amount of interfund transfers were received from the proprietary funds in 2025. The unassigned fund balance of \$584,025 decreased \$359,564, or 38.1% compared to the prior year's unassigned balance of \$943,589. There were also restricted fund balances of \$484,287 at the end of the fiscal year for debt service funds related to wastewater system improvement reserves required by City debt agreements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2025, the City had \$9,949,219 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, 2025		
	Governmental Activities	Business-Type Activities	Total
Land	\$ 427,814	\$ 16,656	\$ 444,470
Buildings and improvements	4,087,644	12,780,715	16,868,359
Machinery and equipment	2,809,280	4,736,785	7,546,065
	7,324,738	17,534,156	24,858,894
Less accumulated depreciation	(5,398,018)	(9,511,657)	(14,909,675)
Capital assets, net of depreciation	\$ 1,926,720	\$ 8,022,499	\$ 9,949,219

	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

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

CAPITAL ASSET AND DEBT ADMINISTRATION – *Continued*

Outstanding Debt

As of September 30, 2025, the City had \$3,839,830 in certificates of obligation, capital leases and other debt outstanding versus \$3,717,392 last year; an increase of \$122,438, or 3.3% as follows:

**Table IV
City of San Saba, Texas
Outstanding Debt**

	<u>Year ended September 30, 2025</u>		
	Governmental	Business-Type	Total
	Activities	Activities	
Capital leases	\$ 952,134	\$ 780,325	\$ 1,732,459
Certificates of obligation		1,476,026	1,476,026
Customer deposits		353,587	353,587
Transfer site liability		54,283	54,283
Compensated absences	137,801	85,674	223,475
Total	<u>\$ 1,089,935</u>	<u>\$ 2,749,895</u>	<u>\$ 3,839,830</u>

	<u>Year ended September 30, 2024</u>		
	Governmental	Business-Type	Total
	Activities	Activities	
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	<u>\$ 891,296</u>	<u>\$ 2,826,096</u>	<u>\$ 3,717,392</u>

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, 2025

	Primary Government			San Saba Economic Dev Corp Fund
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,118,736	\$ 1,980,900	\$ 3,099,636	\$ 396,325
Investments – current	-	269,400	269,400	211,048
Receivables (net of allowance)	80,652	811,436	892,088	-
Inventories	-	654,941	654,941	-
Total current assets	<u>1,199,388</u>	<u>3,716,677</u>	<u>4,916,065</u>	<u>607,373</u>
Capital assets:				
Land	427,814	16,656	444,470	200,000
Building and improvements	4,087,644	12,780,715	16,868,359	528,020
Machinery and equipment	2,809,280	4,736,785	7,546,065	424,610
Accumulated depreciation	(5,398,018)	(9,511,657)	(14,909,675)	(513,826)
Net capital assets	<u>1,926,720</u>	<u>8,022,499</u>	<u>9,949,219</u>	<u>638,804</u>
Total assets	<u>3,126,108</u>	<u>11,739,176</u>	<u>14,865,284</u>	<u>1,246,177</u>
Deferred outflows of resources				
Deferred outflows for pensions	118,748	71,858	190,606	-
Total deferred outflow of resources	<u>118,748</u>	<u>71,858</u>	<u>190,606</u>	<u>-</u>
LIABILITIES				
Accounts payable and other current liabilities	18,875	-	18,875	-
Accrued interest payable	7,812	7,034	14,846	3,264
Capital lease and debt obligations current portion	183,814	185,154	368,968	15,357
Total current liabilities	<u>210,501</u>	<u>192,188</u>	<u>402,689</u>	<u>18,621</u>
Noncurrent liabilities:				
Capital lease and debt obligations	768,320	2,071,197	2,839,517	134,298
Net pension liability	349,708	228,271	577,979	-
OPEB liability	142,104	-	142,104	-
Other noncurrent liabilities	137,801	493,544	631,345	-
Total noncurrent liabilities	<u>1,397,933</u>	<u>2,793,012</u>	<u>4,190,945</u>	<u>134,298</u>
Total liabilities	<u>1,608,434</u>	<u>2,985,200</u>	<u>4,593,634</u>	<u>152,919</u>
Deferred inflows of resources				
Deferred inflows for pensions	267	-	267	-
Deferred ad valorem tax revenues	91,427	-	91,427	-
Total deferred inflow of resources	<u>91,694</u>	<u>-</u>	<u>91,694</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	965,544	5,759,114	6,724,658	485,885
Restricted for:				
Debt service	484,287	475,355	959,642	-
Unrestricted	94,897	2,591,365	2,686,262	607,373
Total net position	<u>\$ 1,544,728</u>	<u>\$ 8,825,834</u>	<u>\$10,370,562</u>	<u>\$ 1,093,258</u>

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, 2025

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,963,817	\$	\$ 17,982	\$ 537,459
Public safety	1,326,176			
Streets	435,601	920		
Public health and welfare	22,930			
Parks and recreation	1,593,131	464,887		
Interest on debt	60,781			
	<u>5,402,436</u>	<u>465,807</u>	<u>17,982</u>	<u>537,459</u>
BUSINESS-TYPE ACTIVITIES				
Utility fund	5,683,197	7,768,013		
	<u>5,683,197</u>	<u>7,768,013</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$11,085,633</u></u>	<u><u>\$ 8,233,820</u></u>	<u><u>\$ 17,982</u></u>	<u><u>\$ 537,459</u></u>
COMPONENT UNIT				
Component unit	181,557			
TOTAL COMPONENT UNIT	<u><u>\$ 181,557</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

General Revenues:

Taxes:

Property taxes levied for general purposes

Sales tax

Other taxes and franchise fees

Penalty and interest

Licenses and permits

Fines

Rents and royalties

Miscellaneous revenues

Investment income

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	San Saba Economic Dev Corp Fund
\$ (1,408,376)	\$	\$ (1,408,376)	\$
(1,326,176)		(1,326,176)	
(434,681)		(434,681)	
(22,930)		(22,930)	
(1,128,244)		(1,128,244)	
(60,781)	(78,536)	(139,317)	
(4,381,188)	(78,536)	(4,459,724)	-
	2,084,816	2,084,816	
-	2,084,816	2,084,816	-
\$ (4,381,188)	\$ 2,006,280	\$ (2,374,908)	\$
			(181,557)
\$	\$	\$	\$ (181,557)
800,541		800,541	
697,737		697,737	232,579
74,847		74,847	
29,294		29,294	
11,167		11,167	
113,000		113,000	
77,068		77,068	
590,848	119,995	710,843	47,448
140,422	15,601	156,023	11,388
2,426,931	(2,426,931)	-	
\$ 4,961,855	\$ (2,291,335)	\$ 2,670,520	\$ 291,415
580,667	(285,055)	295,612	109,858
964,061	9,110,889	10,074,950	983,400
\$ 1,544,728	\$ 8,825,834	\$ 10,370,562	\$ 1,093,258

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, 2025**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 608,557	\$ 510,179	\$ 1,118,736
Taxes receivable	91,427	-	91,427
Other current assets	4,011	-	4,011
Total Assets	<u>\$ 703,995</u>	<u>\$ 510,179</u>	<u>\$ 1,214,174</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 30,367	\$ -	\$ 30,367
Total Liabilities	<u>30,367</u>	<u>-</u>	<u>30,367</u>
Deferred inflow of resources			
Deferred ad valorem taxes	91,427	-	91,427
Total deferred inflow of resources	91,427	-	91,427
Fund Balances:			
Restricted for debt service	-	484,287	484,287
Assigned to:			
Fire department	1,948	-	1,948
Keep San Saba Beautiful	20,057	-	20,057
Park lights	2,063	-	2,063
Unassigned	558,133	25,892	584,025
Total Fund Balances	<u>582,201</u>	<u>510,179</u>	<u>1,092,380</u>
Total Liabilities and Fund Balances	<u>\$ 703,995</u>	<u>\$ 510,179</u>	<u>\$ 1,214,174</u>

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, 2025

Total Fund Balances - Governmental Funds	\$1,092,380
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 \$7,480,833 and the accumulated depreciation was \$5,841,963. 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.	879,498
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 2025 capital outlays and debt payments less disposals of assets is to increase net position.	1,138,846
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(224,525)
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 \$349,708. Also included in the statement of net position, are deferred outflows in the amount of \$118,748, which increased compared to the prior year balance of deferred inflows of \$110,240. Additionally, changes in pension expense have been included, which results in a current year decrease in net position.	(373,272)
Included in noncurrent liabilities is the recognition of the City's share of the OPEB liability required by GASB 75 in the amount of \$142,104. This represents an increase of \$1,570 compared to the prior year. Also, the change in OPEB deferred outflows is a decrease of \$3,242 compared to the prior year. These OPEB liability changes have resulted in a decrease to net position.	(4,812)
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, considering proceeds from new lease finance agreements of \$813,675, 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.	(963,387)
Net Position of Governmental Activities	<u>\$1,544,728</u>

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, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property taxes	\$ 652,165	\$ 177,670	\$ 829,835
General sales and use taxes	697,737		697,737
Other taxes and franchise fees	74,847		74,847
Licenses and permits	11,167		11,167
Charges for services	465,807		465,807
Fines	113,000		113,000
Investment income	109,666	30,756	140,422
Rents and royalties	77,068		77,068
Grant income	555,441		555,441
Other revenues	1,414,365		1,414,365
Total Revenues	<u>4,171,263</u>	<u>208,426</u>	<u>4,379,689</u>
EXPENDITURES:			
Current:			
General government	2,273,149	1,998	2,275,147
Public safety	1,229,679		1,229,679
Streets	397,616		397,616
Parks and recreation	1,505,994		1,505,994
Public health	21,532		21,532
Debt service:			
Principal	541,472	85,000	626,472
Interest and fiscal charges	58,677	2,104	60,781
Capital Outlay:			
Capital outlay	570,775		570,775
Total Expenditures	<u>6,598,894</u>	<u>89,102</u>	<u>6,687,996</u>
Excess (Deficiency) of Revenues	<u>(2,427,631)</u>	<u>119,324</u>	<u>(2,308,307)</u>
Over (Under) Expenditures			
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	2,466,334	(39,404)	2,426,930
Total Other Financing Sources and (Uses)	<u>2,466,334</u>	<u>(39,404)</u>	<u>2,426,930</u>
NET CHANGES IN FUND BALANCES			
Fund Balance - October 1 (Beginning)	38,703	79,920	118,623
Fund Balance - September 30 (Ending)	<u>543,498</u>	<u>430,259</u>	<u>973,757</u>
	<u>\$ 582,201</u>	<u>\$ 510,179</u>	<u>\$ 1,092,380</u>

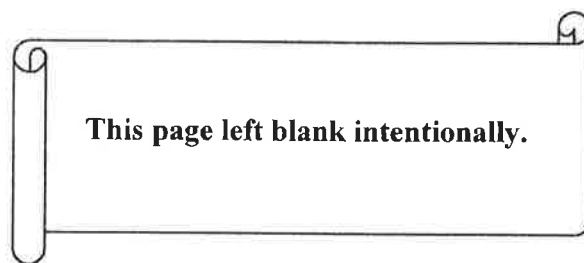
The accompanying notes are integral part of the financial statements.

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, 2025

Total Net Change in Fund Balances - Governmental Funds	\$ 118,623
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 2025 capital outlays, asset dispositions and debt payments is to increase net position.	1,138,846
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.	(224,525)
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 12/31/2024 caused the ending net position to increase by \$21,642. Also, the change in contributions made before the measurement date, but during 2024-2025 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 increase net position by \$373,272.	(373,272)
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.	(79,005)
Change in Net Position of Governmental Funds	<u>\$ 580,667</u>

The accompanying notes are integral part of the financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS



CITY OF SAN SABA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	TOTAL
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 477,923	\$ 781,455	\$ 651,576	\$ 69,946	\$ 1,980,900
Investments - current	61,808	93,756	113,836	-	269,400
Accounts receivable - net of uncollectible accounts	96,906	74,158	568,051	72,321	811,436
Inventories	241,331	26,876	386,734	-	654,941
Total current assets	877,968	976,245	1,720,197	142,267	3,716,677
Non-current Assets					
Capital assets:					
Land	-	14,206	2,450	-	16,656
Buildings and improvements	4,498,737	4,589,614	3,628,820	63,544	12,780,715
Machinery and equipment	1,425,903	889,929	1,031,583	1,389,370	4,736,785
Accumulated depreciation	(2,296,924)	(3,454,812)	(2,656,436)	(1,103,485)	(9,511,657)
Total non-current assets	3,627,716	2,038,937	2,006,417	349,429	8,022,499
Total Assets	4,505,684	3,015,182	3,726,614	491,696	11,739,176
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows/(inflows) of resources	12,000	12,000	27,666	20,192	71,858
Total deferred outflows of resources	12,000	12,000	27,666	20,192	71,858
LIABILITIES					
Current Liabilities					
Accrued interest payable	3,990	-	-	3,044	7,034
Revenue bonds & notes payable - current	32,000	-	-	-	32,000
Capital leases payable - current	22,988	40,447	28,961	60,758	153,154
Other current liabilities	-	-	-	-	-
Total current liabilities	58,978	40,447	28,961	63,802	192,188
Non-current liabilities					
Revenue bonds and notes payable	1,444,026	-	-	-	1,444,026
Capital leases payable	118,485	222,014	-	286,672	627,171
Customer deposits	153,666	-	199,921	-	353,587
Net pension liability	38,121	38,121	87,884	64,144	228,271
Other non-current liabilities	15,366	12,521	32,762	79,308	139,957
Total non-current liabilities	1,769,664	272,656	320,567	430,124	2,793,012
Total Liabilities	1,828,642	313,103	349,528	493,926	2,985,200
NET POSITION					
Net investment in capital assets	2,006,227	1,776,476	1,977,456	(1,045)	5,759,114
Restricted for debt service	383,415	66,591	25,349	-	475,355
Unrestricted	299,400	871,012	1,401,946	19,007	2,591,365
Total Net Position	\$ 2,689,042	\$ 2,714,079	\$ 3,404,751	\$ 17,962	\$ 8,825,834

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, 2025

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	TOTAL
OPERATING REVENUES					
Charges for services	\$ 1,038,028	\$ 640,211	\$ 5,337,674	\$ 752,100	\$ 7,768,013
Grant revenues	-	-	-	-	-
Other revenues	18,360	88,856	-	12,779	119,995
Total operating revenues	<u>1,056,388</u>	<u>729,067</u>	<u>5,337,674</u>	<u>764,879</u>	<u>7,888,008</u>
OPERATING EXPENSES					
Salaries and wages	199,591	199,147	455,329	350,822	1,204,889
Employee benefits	69,804	69,784	156,865	173,294	469,747
Purchased power	-	-	2,612,814	-	2,612,814
Other operating expenses	247,188	91,312	125,549	249,894	713,943
Supplies	9,413	20,327	105,804	48,162	183,706
Depreciation	150,488	163,055	99,902	84,653	498,098
Total operating expenses	<u>676,484</u>	<u>543,625</u>	<u>3,556,263</u>	<u>906,825</u>	<u>5,683,197</u>
Operating income	379,904	185,442	1,781,411	(141,946)	2,204,811
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	5,181	5,740	4,638	42	15,601
Interest expense - non-operating	(52,549)	(9,433)	(2,208)	(14,346)	(78,536)
Total non-operating revenues (expenses)	<u>(47,368)</u>	<u>(3,693)</u>	<u>2,430</u>	<u>(14,304)</u>	<u>(62,935)</u>
INCOME (LOSS) BEFORE TRANSFERS	332,536	181,749	1,783,841	(156,250)	2,141,876
Transfers in	74,066	-	-	130,000	204,066
Transfers out	(471,000)	(301,000)	(1,858,996)	(1)	(2,630,997)
Change in net position	<u>(64,398)</u>	<u>(119,251)</u>	<u>(75,155)</u>	<u>(26,251)</u>	<u>(285,055)</u>
Net Position - beginning	2,753,440	2,833,330	3,479,906	44,213	9,110,889
Net Position - ending	<u>\$ 2,689,042</u>	<u>\$ 2,714,079</u>	<u>\$ 3,404,751</u>	<u>\$ 17,962</u>	<u>\$ 8,825,834</u>

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, 2025

	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	\$ 1,044,657	\$ 644,855	\$ 5,319,024	\$ 752,189	\$ 7,760,725
Cash payments to employees for services	(229,922)	(229,862)	(533,975)	(405,424)	(1,399,183)
Cash payments to suppliers	(314,855)	(185,998)	(2,933,464)	(464,454)	(3,898,771)
Other operating income	18,360	88,856	-	12,779	119,995
Net Cash Provided by Operating Activities	518,240	317,851	1,851,585	(104,910)	2,582,766
Cash Flows from Non-Capital Financing Activities:					
Transfers in	74,066	-	-	130,000	204,066
Transfers out	(471,000)	(301,000)	(1,858,996)	-	(2,630,996)
Net Cash Used for Non-Capital Financing Activities	(396,934)	(301,000)	(1,858,996)	130,000	(2,426,930)
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(15,674)	(10,000)	(59,500)	(119,125)	(204,299)
Principal paid on debt and capital leases	(52,944)	(39,219)	(28,045)	(52,187)	(172,395)
Interest paid on debt and capital leases	(52,549)	(9,433)	(2,208)	(11,303)	(75,493)
Proceeds from financing activities	-	-	-	87,025	87,025
Net Cash Provided by (used for) Capital and Related Financing Activities	(121,167)	(58,652)	(89,753)	(95,590)	(365,162)
Cash Flows from Investing Activities:					
Interest and dividends on investments	5,181	5,740	4,639	41	15,601
Net Cash Provided by (used for) Investing Activities	5,181	5,740	4,639	41	15,601
Net increase (decrease) in cash and cash equivalents	5,320	(36,061)	(92,525)	(70,459)	(193,725)
Cash and Cash Equivalents at Beginning of the Year	534,411	911,272	857,937	140,405	2,444,025
Cash and Cash Equivalents at End of the Year	\$ 539,731	\$ 875,211	\$ 765,412	\$ 69,946	\$ 2,250,300
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 379,904	\$ 185,442	\$ 1,781,411	\$(141,946)	\$ 2,204,811
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	150,488	163,055	99,902	84,653	498,098
Effect of increases and decreases in assets and liabilities:					
Decrease (increase) in receivables	6,629	4,644	(18,650)	89	(7,288)
Decrease (increase) in inventories	10,771	(4,575)	70,078	-	76,274
Decrease (increase) in deferred outflows	(22,881)	(22,881)	(53,416)	(39,461)	(138,639)
Increase (decrease) in other current liabilities	409	-	-	-	409
Increase (decrease) in compensated absences	1,419	972	(1,907)	3,931	4,415
Increase (decrease) in net pension liabilities	(8,869)	(8,806)	(23,324)	(19,072)	(60,070)
Increase (decrease) in other noncurrent	370	-	(2,510)	6,896	4,756
Net Cash Provided by Operating Activities	\$ 518,240	\$ 317,851	\$ 1,851,585	\$(104,910)	\$ 2,582,766

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

CITY OF SAN SABA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 \$14,025 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 \$396 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 \$43,282 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 \$45,768 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION - CONTINUED

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Funds

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

Enterprise Funds

These funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Discretely Presented Component Units

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

Major and Nonmajor Funds

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

- a. All government funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

Cash and Investments

For the purposes of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 government-wide or fund financial statements.

Government-wide Statements

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

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

Fund Financial Statements

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

Long-term Debt

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

Government-wide Statements

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

Fund Financial Statements

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

Compensated Absences

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES, AND EQUITY - CONTINUED

Pensions

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

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes, mortgages, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net positions with constraints placed on the use either by: (1) external groups such as grantors, creditors, contributors, or other laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Financial Statements

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES, AND EQUITY - CONTINUED

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

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance – amounts available for any purpose not contained in other classifications.

E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

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

Property Tax

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds — By Character

Current (further classified by function)

Debt Service

Capital Projects

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. REVENUES, EXPENDITURES, AND EXPENSES - CONTINUED

Proprietary Fund — By Operating and Non-operating

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

Interfund Transfers

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

F. BUDGETS

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

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

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

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. The City complied, in all material respects, with all revenue restrictions for the year ended September 30, 2025.

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	\$ 275,349	\$ 275,349
Category 2	2,633,511	2,894,326
Total	<u>\$ 2,908,860</u>	<u>\$ 3,169,675</u>

For the fiscal year 2025, 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, 2025, was as follows:

	Balance September 30, 2024	Additions	Dispositions	Balance September 30, 2025
Governmental activities:				
Land	\$ 427,814	\$	\$	\$ 427,814
Buildings	946,099			946,099
Improvements	3,121,471	20,074		3,141,545
Machinery and equipment	2,985,449	550,701	(726,870)	2,809,280
Totals at historical cost	<u>7,480,833</u>	<u>570,775</u>	<u>(726,870)</u>	<u>7,324,738</u>
Less accumulated depreciation				
Buildings	(820,586)	(24,184)		(844,770)
Improvements	(2,449,879)	(62,415)		(2,512,294)
Machinery and equipment	(2,571,498)	(137,926)	668,470	(2,040,954)
Total accumulated depreciation	<u>(5,841,963)</u>	<u>(224,525)</u>	<u>668,470</u>	<u>(5,398,018)</u>
Governmental activities capital assets, net	<u>\$ 1,638,870</u>	<u>\$ 346,250</u>	<u>\$ (58,400)</u>	<u>\$ 1,926,720</u>

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – CONTINUED

B. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2024	Additions	Dispositions	Balance September 30, 2025
Business-type activities:				
Land	\$ 16,656			\$ 16,656
Buildings and improvements	12,694,676	86,039		12,780,715
Machinery and equipment	4,618,527	118,258	-	4,736,785
Totals at historical cost	17,329,859	204,297	-	17,534,156
Less accumulated depreciation				
Total accumulated depreciation	(9,013,559)	(498,098)	-	(9,511,657)
Business-type capital assets, net	\$ 8,316,300	\$ (293,801)	\$ -	\$ 8,022,499

Depreciation expense was charged to governmental activities as follows:

	Amount
General government	\$ 1,507
Public safety and judiciary	96,498
Streets	37,985
Parks and recreation	87,137
Public health	1,398
Total depreciation expense	\$ 224,525

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, 2025
<u>General Fund</u>	
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%	24,662
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%	34,514
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%	6,339

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

GOVERNMENTAL ACTIVITIES

	Balance <u>September 30, 2025</u>
<u>General Fund - continued</u>	
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%	38,062
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%	72,872
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%	34,401
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%	13,888
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%	80,207
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%	41,581
Lease purchase with Schertz Bank & Trust in the original amount of \$78,585 on November 9, 2024, for a 2024 Chevy Tahoe with annual payments of \$18,565.38 including interest at 5.822%	78,585
Lease purchase with First Security State Bank in the original amount of \$43,137 on September 4, 2025, for a 2025 Chevy Colorado with annual payments of \$8,937.77 including interest at 6.597%	43,137
Lease purchase with First Security State Bank in the original amount of \$93,091 on September 5, 2025, for a 2022 JD 2750 Mower and Rainbird Sprinkler System with annual payments of \$18,837.76 including interest at 5.843%	93,090

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES

	Balance <u>September 30, 2025</u>
<u>General Fund - continued</u>	
Lease purchase with First Financial Bank in the original amount of \$141,165 on February 27, 2025, for a CAT Backhoe Loader with annual payments of \$19,132 including interest at 5.947%	141,165
Lease purchase with Yamaha Financial Services in the original amount of \$187,200 on August 21, 2025, for 28 DR2A Golf Carts with monthly payments of \$3,584 including interest at 5.80%	184,490
Lease purchase with US Bank Equipment Finance in the original amount of \$73,587 on December 15, 2024, for Police mobile radios with annual payments of \$13,758.60 including interest at 6.99%	65,141
Accrued compensated absences	<u>137,801</u>
Total general long-term debt	\$ 1,089,935
Less amounts due within one year	<u>183,814</u>
Amounts due in more than one year	<u>\$ 906,121</u>

BUSINESS-TYPE ACTIVITIES

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

	Balance <u>September 30, 2025</u>
<u>Water fund</u>	
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%.	22,381
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%	119,092

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES

Balance
September 30, 2025

Water Fund – continued

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.

1,476,026

Accrued compensated absences

15,366

Customer deposits

153,666

Total water fund long-term debt

\$ 1,786,531

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%.

262,461

Accrued compensated absences

12,521

Total sewer fund long-term debt

\$ 274,982

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%.

28,961

Accrued compensated absences

32,762

Customer deposits

199,921

Total electric fund long-term debt

\$ 261,644

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%.

74,321

II. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

BUSINESS-TYPE ACTIVITIES

	Balance <u>September 30, 2025</u>
<u>Garbage Fund – continued</u>	
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%.	147,462
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%.	11,059
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%.	27,563
Lease purchase with Schertz Bank & Trust in the original amount of \$87,025 on February 27, 2025, for a 45' Hallco I-4000 Trailer with annual payments of \$11,822.23 including interest at 5.997%	87,025
Accrued compensated absences	25,025
Transfer site liability	<u>54,283</u>
Total garbage fund long-term debt	<u>\$ 426,738</u>
Total enterprise fund long-term debt	\$ 2,749,895
Amounts due within one year	<u>185,154</u>
Amounts due in more than one year	<u>\$ 2,564,741</u>

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, 2025.

	<u>Governmental Activities</u>		
	Payable at 9/30/2024	Additions	Deletions
Capital leases	\$ 679,930	\$ 813,676	\$ 541,472
Certificates of obligation	85,000	-	85,000
Compensated absences	126,366	11,435	-
Totals	\$ 891,296	\$ 825,111	\$ 626,472

	<u>Enterprise Funds</u>		
	Payable at 9/30/2024	Additions	Deletions
Capital Leases	\$ 834,698	\$ 87,025	\$ 141,398
Certificates of obligation	1,507,026	-	31,000
Transfer site liability	47,387	6,896	-
Compensated absences	81,259	4,415	-
Customer deposits	355,726	-	2,139
Totals	\$ 2,826,096	\$ 98,336	\$ 174,537

BUSINESS-TYPE ACTIVITIES

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM BONDED DEBT

Annual amortization requirements for the Water Fund long-term 2018 certificates of obligation outstanding as of September 30, 2025, including interest payments are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	32,000	42,093	74,093
2027	33,000	41,181	74,181
2028	33,000	40,240	73,240
2029	34,000	39,299	73,299
2030	35,000	38,329	73,329
2031 - 2035	190,000	176,102	366,102
2036 - 2040	220,000	147,299	367,299
2041 - 2045	252,000	114,190	366,190
2046 - 2050	289,000	76,204	365,204
2051 - 2055	330,000	32,799	362,799
2056 - 2060	28,026	799	28,825
Total	\$ 1,476,026	\$ 748,535	\$ 2,224,561

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS -CONTINUED

C. LONG-TERM DEBT – CONTINUED

CAPITAL LEASE PAYMENTS FOR GOVERNMENT ACTIVITIES

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

<u>Governmental Activities</u>			
<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	183,814	55,102	238,916
2027	161,694	45,206	206,900
2028	163,683	35,781	199,464
2029	161,091	26,125	187,216
2030	146,659	16,259	162,918
2031-2035	<u>135,193</u>	<u>18,439</u>	<u>153,632</u>
Total	<u>\$ 952,134</u>	<u>\$ 196,912</u>	<u>\$ 1,149,046</u>

CAPITAL LEASE PAYMENTS FOR ENTERPRISE ACTIVITIES

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

<u>Enterprise Activities</u>			
<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	153,153	31,742	184,895
2027	117,540	25,992	143,532
2028	110,387	21,397	131,784
2029	114,792	16,992	131,784
2030	90,915	12,391	103,306
2031-2035	<u>193,538</u>	<u>19,160</u>	<u>212,698</u>
Total	<u>\$ 780,325</u>	<u>\$ 127,674</u>	<u>\$ 907,999</u>

IV. INTERFUND RECEIVABLES AND PAYABLES

The following is a list of interfund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
Garbage Fund	\$ 1,230	\$
General Fund		<u>1,230</u>
Totals	<u>\$ 1,230</u>	<u>\$ 1,230</u>

V. RISK MANAGEMENT

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

V. RISK MANAGEMENT – CONTINUED

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

VI. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of San Saba participates as one of over 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.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. Members are vested after 5 years and may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms:

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

Number of members:	December 31	December 31
	2024	2023
Inactive employees or beneficiaries currently receiving benefits:	28	26
Inactive employees entitled to but not yet receiving benefits:	24	21
Active employees:	49	46
Total	101	93