

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF SCHULENBURG, TEXAS**

**For the Year Ended  
September 30, 2022**

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# CITY OF SCHULENBURG, TEXAS

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## ***INDEPENDENT AUDITORS' REPORT***

To the Honorable Mayor and  
City Council Members of the  
City of Schulenburg, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Schulenburg, Texas (the "City"), as of and for the year ended September 30, 2022, 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 respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, 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 Auditors' Responsibilities for the Audit of the 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.

### **Responsibility of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America 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.

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
April 28, 2023

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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**CITY OF SCHULENBURG, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2022**

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government; public safety; parks, recreation, and culture; public works; and economic development. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution, wastewater collection/treatment, electric services, garbage collection, and warehouse.

The government-wide financial statements include not only for the City itself (known as the primary government), but also a legally separate economic development corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

## **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is always considered to be a major fund for reporting purposes.

**CITY OF SCHULENBURG, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2022**

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds**

The City maintains one type of proprietary fund, enterprise funds. The enterprise funds 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 its water distribution, wastewater collection/treatment, electric services, garbage collection, and warehouse. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains three fiduciary funds; the library trust fund, the fire protection fund, and the perpetual care cemetery trust fund. The City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). RSI includes a budgetary comparison schedule for the general fund, schedules of changes in the net pension and total other postemployment benefits (OPEB) liability and related ratios, schedule of the City's proportionate share of the net pension liability, and the schedules of contributions for the City's pension and OPEB plans. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve, over time, as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by \$21,273,960 as of year end. The largest portion of the City's net position (80%) reflects its investments in capital assets (e.g., land, City hall, fleet equipment, streets, and drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**CITY OF SCHULENBURG, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2022

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

|   | September 30, 2022         |                             |                                | September 30, 2021         |                             |                                |
|---|----------------------------|-----------------------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total<br>Primary<br>Government | Governmental<br>Activities | Business-Type<br>Activities | Total<br>Primary<br>Government |
| Current and other assets                        | \$ 1,305,530               | \$ 6,187,857                | \$ 7,493,387                   | \$ 1,352,591               | \$ 6,156,378                | \$ 7,508,969                   |
| Capital assets, net                             | 7,117,925                  | 10,218,951                  | 17,336,876                     | 7,666,298                  | 8,859,289                   | 16,525,587                     |
| <b>Total Assets</b>                             | <b>8,423,455</b>           | <b>16,406,808</b>           | <b>24,830,263</b>              | <b>9,018,889</b>           | <b>15,015,667</b>           | <b>24,034,556</b>              |
| Deferred outflows - pensions                    | 232,119                    | 107,259                     | 339,378                        | 251,020                    | 116,510                     | 367,530                        |
| Deferred outflows - OPEB                        | 27,942                     | 16,231                      | 44,173                         | 40,376                     | 22,657                      | 63,033                         |
| Deferred charge on refunding                    | 3,822                      | -                           | 3,822                          | 7,646                      | -                           | 7,646                          |
| <b>Total Deferred Outflows<br/>of Resources</b> | <b>263,883</b>             | <b>123,490</b>              | <b>387,373</b>                 | <b>299,042</b>             | <b>139,167</b>              | <b>438,209</b>                 |
| Long-term liabilities                           | 821,775                    | 281,380                     | 1,103,155                      | 1,793,093                  | 636,111                     | 2,429,204                      |
| Other liabilities                               | 171,831                    | 1,496,617                   | 1,668,448                      | 288,407                    | 922,890                     | 1,211,297                      |
| <b>Total Liabilities</b>                        | <b>993,606</b>             | <b>1,777,997</b>            | <b>2,771,603</b>               | <b>2,081,500</b>           | <b>1,559,001</b>            | <b>3,640,501</b>               |
| Deferred inflows - pensions                     | 842,362                    | 289,005                     | 1,131,367                      | 488,100                    | 137,955                     | 626,055                        |
| Deferred inflows - OPEB                         | 25,806                     | 14,900                      | 40,706                         | 39,227                     | 21,837                      | 61,064                         |
| <b>Total Deferred Inflows<br/>of Resources</b>  | <b>868,168</b>             | <b>303,905</b>              | <b>1,172,073</b>               | <b>527,327</b>             | <b>159,792</b>              | <b>687,119</b>                 |
| <b>Net Position:</b>                            |                            |                             |                                |                            |                             |                                |
| Net investment in capital assets                | 6,877,923                  | 10,161,416                  | 17,039,339                     | 7,283,921                  | 8,775,084                   | 16,059,005                     |
| Restricted                                      | 1,121,841                  | -                           | 1,121,841                      | 1,053,368                  | -                           | 1,053,368                      |
| Unrestricted                                    | (1,174,200)                | 4,286,980                   | 3,112,780                      | (1,628,185)                | 4,660,957                   | 3,032,772                      |
| <b>Total Net Position</b>                       | <b>\$ 6,825,564</b>        | <b>\$ 14,448,396</b>        | <b>\$ 21,273,960</b>           | <b>\$ 6,709,104</b>        | <b>\$ 13,436,041</b>        | <b>\$ 20,145,145</b>           |

A portion of the primary government's net position, \$1,121,841, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$3,112,780, may be used to meet the City's ongoing obligation to citizens and creditors.

The overall condition of the City increased \$1,128,815 during the year. Total assets are \$24,830,263, an increase of \$795,707 compared to prior year. The increase in assets is mainly due to an increase in capital assets for the City's utility system. The total liabilities are \$2,771,603, a decrease of \$868,898 compared to prior year due to the net result of a decrease in long-term liabilities and increase in other liabilities. The decrease in long-term liabilities primarily came from a decrease in the net pension liability and principal payments on debt. Other liabilities primarily increased due to an increase in unearned grant revenue to be spent and used on future projects. Deferred outflows of resources decreased by \$50,836 compared to prior year and deferred inflows increased by \$484,954 compared to prior year. The decrease in deferred outflows of resources and increase in deferred inflows of resources are primarily due to pension and OPEB adjustments.

**CITY OF SCHULENBURG, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2022

**Statement of Activities**

The following table provides a summary of the City's changes in net position:

|  | For the Year Ended September 30, 2022 |                             |                                | For the Year Ended September 30, 2021 |                             |                                |
|--|---------------------------------------|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|--------------------------------|
|  | Governmental<br>Activities            | Business-Type<br>Activities | Total<br>Primary<br>Government | Governmental<br>Activities            | Business-Type<br>Activities | Total<br>Primary<br>Government |
| <b>Revenues</b>                            |                                       |                             |                                |                                       |                             |                                |
| Program revenues:                          |                                       |                             |                                |                                       |                             |                                |
| Charges for services                       | \$ 275,768                            | \$ 10,657,645               | \$ 10,933,413                  | \$ 252,120                            | \$ 9,873,574                | \$ 10,125,694                  |
| Operating grants<br>and contributions      | 252,308                               | -                           | 252,308                        | 196,682                               | -                           | 196,682                        |
| Capital grants<br>and contributions        | -                                     | 172,292                     | 172,292                        | -                                     | -                           | -                              |
| General revenues:                          |                                       |                             |                                |                                       |                             |                                |
| Property taxes                             | 643,516                               | -                           | 643,516                        | 611,878                               | -                           | 611,878                        |
| Sales taxes                                | 832,999                               | -                           | 832,999                        | 625,112                               | -                           | 625,112                        |
| Hotel taxes                                | 245,294                               | -                           | 245,294                        | 189,743                               | -                           | 189,743                        |
| Franchise fees                             | 59,064                                | -                           | 59,064                         | 54,162                                | -                           | 54,162                         |
| Investment income                          | 15,179                                | 21,221                      | 36,400                         | 2,390                                 | 11,802                      | 14,192                         |
| Other revenue                              | 33,606                                | 62,550                      | 96,156                         | 133,342                               | 148,606                     | 281,948                        |
| <b>Total Revenues</b>                      | <b>2,357,734</b>                      | <b>10,913,708</b>           | <b>13,271,442</b>              | <b>2,065,429</b>                      | <b>10,033,982</b>           | <b>12,099,411</b>              |
| <b>Expenses</b>                            |                                       |                             |                                |                                       |                             |                                |
| General government                         | 635,896                               | -                           | 635,896                        | 623,686                               | -                           | 623,686                        |
| Public safety                              | 1,186,614                             | -                           | 1,186,614                      | 1,301,064                             | -                           | 1,301,064                      |
| Parks, recreation, and culture             | 938,925                               | -                           | 938,925                        | 695,357                               | -                           | 695,357                        |
| Public works                               | 1,322,240                             | -                           | 1,322,240                      | 1,377,292                             | -                           | 1,377,292                      |
| Interest and fees<br>on long-term debt     | 11,969                                | 4,370                       | 16,339                         | 9,493                                 | 5,686                       | 15,179                         |
| Utilities                                  | -                                     | 8,042,613                   | 8,042,613                      | -                                     | 7,179,462                   | 7,179,462                      |
| <b>Total Expenses</b>                      | <b>4,095,644</b>                      | <b>8,046,983</b>            | <b>12,142,627</b>              | <b>4,006,892</b>                      | <b>7,185,148</b>            | <b>11,192,040</b>              |
| <b>Increase (Decrease) in Net Position</b> |                                       |                             |                                |                                       |                             |                                |
| <b>Before Transfers</b>                    | (1,737,910)                           | 2,866,725                   | 1,128,815                      | (1,941,463)                           | 2,848,834                   | 907,371                        |
| Transfers in (out)                         | 1,854,370                             | (1,854,370)                 | -                              | 1,877,638                             | (1,877,638)                 | -                              |
| <b>Change in Net Position</b>              | <b>116,460</b>                        | <b>1,012,355</b>            | <b>1,128,815</b>               | <b>(63,825)</b>                       | <b>971,196</b>              | <b>907,371</b>                 |
| Beginning net position                     | 6,709,104                             | 13,436,041                  | 20,145,145                     | 6,772,929                             | 12,464,845                  | 19,237,774                     |
| <b>Ending Net Position</b>                 | <b>\$ 6,825,564</b>                   | <b>\$ 14,448,396</b>        | <b>\$ 21,273,960</b>           | <b>\$ 6,709,104</b>                   | <b>\$ 13,436,041</b>        | <b>\$ 20,145,145</b>           |

For the year, revenues from governmental activities totaled \$2,357,734, an increase of \$292,305 compared to the prior year. This increase was primarily due to an increase in sales tax and hotel occupancy tax revenues from

**CITY OF SCHULENBURG, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2022**

more economic activity within the City. Governmental expenses totaled \$4,095,644, an increase of \$88,752 from the prior year mainly due to an increase in repair costs for parks, recreation, and culture.

Revenues from business-type activities totaled \$10,913,708, an increase of \$879,726 from prior year mainly due to an increase in charges for services as a result of an increase in customer utility usage along with an increase in capital grants for construction of the City's utility system. Expenses increased by \$861,835 from the prior year mainly due to an increase in wholesale electricity costs and supplies and materials.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$1,121,841, of which \$599,426 is restricted for industrial development, \$516,746 is restricted for enabling legislation, and \$5,669 is restricted for grant activities.

There was an increase in the combined fund balance of \$68,473 from the prior year, primarily due to an increase in hotel occupancy tax revenues which exceeded tourism expenditures by \$58,913.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund had a balance of \$0. The general fund's revenue increased by \$248,337 from the prior year mainly due to an increase in sales tax revenues. The general fund expenditures in the current fiscal year remained consistent with prior year, which increased by \$42,546.

**Proprietary Funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's budgeted for the general fund expenditures to exceed revenues by \$2,184,191. The actual revenues exceeded the budgeted general fund revenues by \$352,678 during the year. This net positive variance is mainly due to receiving more sales tax and intergovernmental revenues than anticipated. General fund expenditures of \$3,954,850 were consistent with the budgeted expenditures with actual expenditures exceeding budgeted expenditures by \$22,857.

### **CAPITAL ASSETS**

At the end of the year, the City's governmental and business-type activities had invested \$17,336,876 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$811,289.

More detailed information on the City's capital assets can be found in note III.C. to the financial statements.



**CITY OF SCHULENBURG, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2022**

**LONG-TERM DEBT**

At the end of the current year, the City had total long-term debt of \$118,000 for general obligation refunding bonds and \$183,359 for notes payable from the purchase of vehicles and equipment.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The property tax rate for fiscal year ended September 30, 2023 was approved at \$0.21113 per \$100 of assessed property value.

The projected revenue for the 2022-2023 fiscal year in the general fund is \$2,862,130. The projected expenditures for the general fund are \$5,016,833. The City plans to subsidize the general fund deficit with revenues from the utility funds. The projected revenue in the utility funds is \$10,823,250. The projected expenditures for the utility funds are \$9,091,324.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Tami Walker, City Administrator/City Secretary, City Hall, 535 N. Main Street, P.O. Box 8, Schulenburg, Texas 78956; telephone 979-743-4126.

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***BASIC FINANCIAL STATEMENTS***

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2022

|  | Primary Government         |                             |                   | Component Unit   |
|--|----------------------------|-----------------------------|-------------------|------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total             | SEDC             |
| <b><u>Assets</u></b>                             |                            |                             |                   |                  |
| Cash and cash equivalents                        | \$ 1,013,890               | \$ 3,032,654                | \$ 4,046,544      | \$ 806,986       |
| Investments                                      | -                          | 1,144,862                   | 1,144,862         | 132,601          |
| Restricted cash and cash equivalents             | -                          | 246,520                     | 246,520           | -                |
| Receivables (net of allowance for uncollectible) | 218,375                    | 1,339,153                   | 1,557,528         | 77,230           |
| Due from primary government                      | -                          | -                           | -                 | 25,946           |
| Internal balances                                | 6,599                      | (6,599)                     | -                 | -                |
| Inventory  | -                          | 428,248                     | 428,248           | -                |
| Other assets                                     | -                          | 3,019                       | 3,019             | -                |
| Industrial loans receivable                      | 66,666                     | -                           | 66,666            | 160,815          |
| Capital assets:                                  |                            |                             |                   |                  |
| Nondepreciable                                   | 356,220                    | 205,953                     | 562,173           | -                |
| Net depreciable capital assets                   | 6,761,705                  | 10,012,998                  | 16,774,703        | 143,220          |
| <b>Total Assets</b>                              | <b>8,423,455</b>           | <b>16,406,808</b>           | <b>24,830,263</b> | <b>1,346,798</b> |
| <b><u>Deferred Outflows of Resources</u></b>     |                            |                             |                   |                  |
| Deferred outflows - pensions (TMRS)              | 195,791                    | 107,259                     | 303,050           | -                |
| Deferred outflows - pensions (TESRS)             | 36,328                     | -                           | 36,328            | -                |
| Deferred outflows - OPEB (TMRS)                  | 27,942                     | 16,231                      | 44,173            | -                |
| Deferred charge on refunding                     | 3,822                      | -                           | 3,822             | -                |
| <b>Total Deferred Outflows of Resources</b>      | <b>263,883</b>             | <b>123,490</b>              | <b>387,373</b>    | <b>-</b>         |
| <b><u>Liabilities</u></b>                        |                            |                             |                   |                  |
| Accounts payable                                 | 170,780                    | 431,430                     | 602,210           | -                |
| Customer deposits payable                        | -                          | 246,520                     | 246,520           | -                |
| Unearned revenue                                 | -                          | 722,514                     | 722,514           | -                |
| Payroll deductions payable                       | -                          | -                           | -                 | -                |
| Due to state                                     | -                          | 23,960                      | 23,960            | -                |
| Due to component unit                            | -                          | 25,946                      | 25,946            | -                |
| Due to fiduciary fund                            | -                          | 46,247                      | 46,247            | -                |
| Accrued interest                                 | 1,051                      | -                           | 1,051             | 444              |
| <b>Total Current Liabilities</b>                 | <b>171,831</b>             | <b>1,496,617</b>            | <b>1,668,448</b>  | <b>444</b>       |
| Noncurrent liabilities:                          |                            |                             |                   |                  |
| Long-term liabilities due within one year        | 190,470                    | 47,090                      | 237,560           | 88,000           |
| Long-term liabilities due in more than one year  | 631,305                    | 234,290                     | 865,595           | 90,000           |
| <b>Total Noncurrent Liabilities</b>              | <b>821,775</b>             | <b>281,380</b>              | <b>1,103,155</b>  | <b>178,000</b>   |
| <b>Total Liabilities</b>                         | <b>993,606</b>             | <b>1,777,997</b>            | <b>2,771,603</b>  | <b>178,444</b>   |
| <b><u>Deferred Inflows of Resources</u></b>      |                            |                             |                   |                  |
| Deferred inflows - pensions (TMRS)               | 767,178                    | 289,005                     | 1,056,183         | -                |
| Deferred inflows - pensions (TESRS)              | 75,184                     | -                           | 75,184            | -                |
| Deferred inflows - OPEB (TMRS)                   | 25,806                     | 14,900                      | 40,706            | -                |
| <b>Total Deferred Inflows of Resources</b>       | <b>868,168</b>             | <b>303,905</b>              | <b>1,172,073</b>  | <b>-</b>         |

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2022

|                                  | Primary Government         |                             |                      | Component Unit      |
|----------------------------------|----------------------------|-----------------------------|----------------------|---------------------|
|                                  | Governmental<br>Activities | Business-Type<br>Activities | Total                | SEDC                |
| <b><u>Net Position</u></b>       |                            |                             |                      |                     |
| Net investment in capital assets | \$ 6,877,923               | \$ 10,161,416               | \$ 17,039,339        | \$ (34,780)         |
| Restricted for:                  |                            |                             |                      |                     |
| Economic development             | -                          | -                           | -                    | 1,203,134           |
| Industrial development           | 599,426                    | -                           | 599,426              | -                   |
| Enabling legislation             | 516,746                    | -                           | 516,746              | -                   |
| Grant activities                 | 5,669                      | -                           | 5,669                | -                   |
| Unrestricted                     | (1,174,200)                | 4,286,980                   | 3,112,780            | -                   |
| <b>Total Net Position</b>        | <b>\$ 6,825,564</b>        | <b>\$ 14,448,396</b>        | <b>\$ 21,273,960</b> | <b>\$ 1,168,354</b> |

See Notes to Financial Statements.

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

| Functions/Programs                          | Expenses             | Program Revenues        |  |  |
|---|----------------------|-------------------------|--|--|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary Government</b>                   |                      |                         |  |  |
| <b>Governmental Activities</b>              |                      |                         |  |  |
| General government                          | \$ 635,896           | \$ 66,521               | \$ -                                     | \$ -                                   |
| Public safety                               | 1,186,614            | 168,207                 | 94,886                                   | -                                      |
| Parks, recreation, and culture              | 938,925              | 18,990                  | 157,422                                  | -                                      |
| Public works                                | 1,322,240            | 22,050                  | -  | -                                      |
| Interest and fees on long-term debt         | 11,969               | -                       | -  | -                                      |
| <b>Total Governmental Activities</b>        | <b>4,095,644</b>     | <b>275,768</b>          | <b>252,308</b>                           | <b>-</b>                               |
| <b>Business-Type Activities</b>             |                      |                         |  |  |
| Utilities                                   | 8,042,613            | 10,657,645              | -  | 172,292                                |
| Interest and fees on long-term debt         | 4,370                | -                       | -  | -                                      |
| <b>Total Business-Type Activities</b>       | <b>8,046,983</b>     | <b>10,657,645</b>       | <b>-</b>                                 | <b>172,292</b>                         |
| <b>Total Primary Government</b>             | <b>\$ 12,142,627</b> | <b>\$ 10,933,413</b>    | <b>\$ 252,308</b>                        | <b>\$ 172,292</b>                      |
| <b>Component Unit</b>                       |                      |                         |  |  |
| Economic development                        | \$ 224,408           | \$ -                    | \$ -                                     | \$ -                                   |
| Interest and fees on long-term debt         | 5,227                | -                       | -  | -                                      |
| <b>Total Component Unit</b>                 | <b>\$ 229,635</b>    | <b>\$ -</b>             | <b>\$ -</b>                              | <b>\$ -</b>                            |
| <b>General Revenues:</b>                    |                      |                         |  |  |
| Property taxes                              |                      |                         |  |  |
| Sales taxes                                 |                      |                         |  |  |
| Hotel tax                                   |                      |                         |  |  |
| Franchise fees                              |                      |                         |  |  |
| Investment income                           |                      |                         |  |  |
| Other revenues                              |                      |                         |  |  |
| Transfers                                   |                      |                         |  |  |
| <b>Total General Revenues and Transfers</b> |                      |                         |  |  |
| <b>Change in Net Position</b>               |                      |                         |  |  |
| Beginning net position                      |                      |                         |  |  |
| <b>Ending Net Position</b>                  |                      |                         |  |  |

See Notes to Financial Statements.

**Net Revenue (Expense) and Changes in Net Position**

**Primary Government**

| <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         | <b>Component Unit</b> |
|------------------------------------|-------------------------------------|----------------------|-----------------------|
| \$ (569,375)                       | \$ -                                | \$ (569,375)         | \$ -                  |
| (923,521)                          | -                                   | (923,521)            | -                     |
| (762,513)                          | -                                   | (762,513)            | -                     |
| (1,300,190)                        | -                                   | (1,300,190)          | -                     |
| (11,969)                           | -                                   | (11,969)             | -                     |
| <u>(3,567,568)</u>                 | <u>-</u>                            | <u>(3,567,568)</u>   | <u>-</u>              |
| -                                  | 2,787,324                           | 2,787,324            | -                     |
| -                                  | (4,370)                             | (4,370)              | -                     |
| -                                  | 2,782,954                           | 2,782,954            | -                     |
| <u>(3,567,568)</u>                 | <u>2,782,954</u>                    | <u>(784,614)</u>     | <u>-</u>              |
| -                                  | -                                   | -                    | (224,408)             |
| -                                  | -                                   | -                    | (5,227)               |
| -                                  | -                                   | -                    | (229,635)             |
| 643,516                            | -                                   | 643,516              | -                     |
| 832,999                            | -                                   | 832,999              | 416,500               |
| 245,294                            | -                                   | 245,294              | -                     |
| 59,064                             | -                                   | 59,064               | -                     |
| 15,179                             | 21,221                              | 36,400               | 7,876                 |
| 33,606                             | 62,550                              | 96,156               | -                     |
| 1,854,370                          | (1,854,370)                         | -                    | -                     |
| <u>3,684,028</u>                   | <u>(1,770,599)</u>                  | <u>1,913,429</u>     | <u>424,376</u>        |
| 116,460                            | 1,012,355                           | 1,128,815            | 194,741               |
| 6,709,104                          | 13,436,041                          | 20,145,145           | 973,613               |
| <u>\$ 6,825,564</u>                | <u>\$ 14,448,396</u>                | <u>\$ 21,273,960</u> | <u>\$ 1,168,354</u>   |

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# CITY OF SCHULENBURG, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2022

|  | <u>General</u>           | <u>Nonmajor<br/>Governmental</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------------|----------------------------------|---|
| <b><u>Assets</u></b>   |                          |                                  |   |
| Cash and cash equivalents  | \$ 61,665                | \$ 952,225                       | \$ 1,013,890                            |
| Receivables, net   | 168,497                  | 49,878                           | 218,375                                 |
| Loans receivable   | -                        | 66,666                           | 66,666                                  |
| Due from other funds   | -                        | 113,213                          | 113,213                                 |
| <b>Total Assets</b>  | <b><u>\$ 230,162</u></b> | <b><u>\$ 1,181,982</u></b>       | <b><u>\$ 1,412,144</u></b>              |
| <b><u>Liabilities</u></b>  |                          |                                  |   |
| Accounts payable   | \$ 163,216               | \$ 7,564                         | \$ 170,780                              |
| Due to other funds   | 54,037                   | 52,577                           | 106,614                                 |
| <b>Total Liabilities</b>   | <b><u>217,253</u></b>    | <b><u>60,141</u></b>             | <b><u>277,394</u></b>                   |
| <b><u>Deferred Inflows of Resources</u></b>                                    |                          |                                  |   |
| Unavailable revenue - property taxes   | 12,909                   | -                                | 12,909                                  |
| <b>Total Deferred Inflows of Resources</b>                                     | <b><u>12,909</u></b>     | <b><u>-</u></b>                  | <b><u>12,909</u></b>                    |
| <b><u>Fund Balances</u></b>  |                          |                                  |   |
| Restricted for:  |                          |                                  |   |
| Industrial development   | -                        | 599,426                          | 599,426                                 |
| Enabling legislation   | -                        | 516,746                          | 516,746                                 |
| Grant activities   | -                        | 5,669                            | 5,669                                   |
| <b>Total Fund Balances</b>   | <b><u>-</u></b>          | <b><u>1,121,841</u></b>          | <b><u>1,121,841</u></b>                 |
| <b>Total Liabilities, Deferred Inflows of Resources, and<br/>Fund Balances</b> | <b><u>\$ 230,162</u></b> | <b><u>\$ 1,181,982</u></b>       | <b><u>\$ 1,412,144</u></b>              |

See Notes to Financial Statements

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**CITY OF SCHULENBURG, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2022**

Total fund balances – total governmental funds \$ 1,121,841

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

|                                  |           |
|----------------------------------|-----------|
| Capital assets – nondepreciable  | 356,220   |
| Capital assets – net depreciable | 6,761,705 |

Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balances on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. These changes in pension and OPEB activity that affect the City's net position are as follows:

|                                      |           |
|--------------------------------------|-----------|
| Net pension liability - TMRS         | (331,961) |
| Net pension liability - TESRS        | (76,928)  |
| Total OPEB liability - TMRS          | (121,957) |
| Deferred outflows - pensions (TMRS)  | 195,791   |
| Deferred outflows - pensions (TESRS) | 36,328    |
| Deferred outflows - OPEB (TMRS)      | 27,942    |
| Deferred inflows - pensions (TMRS)   | (767,178) |
| Deferred inflows - pensions (TESRS)  | (75,184)  |
| Deferred inflows - OPEB (TMRS)       | (25,806)  |

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 12,909

Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.

|  |           |
|--|-----------|
| Deferred charge on refunding                     | 3,822     |
| Accrued interest payable                         | (1,051)   |
| Noncurrent liabilities due in one year           | (190,470) |
| Noncurrent liabilities due in more than one year | (100,459) |

**Net Position of Governmental Activities** \$ 6,825,564

See Notes to Financial Statements.

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2022

|  | General     | Nonmajor<br>Governmental | Total<br>Governmental<br>Funds |
|--|-------------|--------------------------|--------------------------------|
| <b>Revenues</b>  |             |                          |                                |
| Property taxes   | \$ 643,516  | \$ -                     | \$ 643,516                     |
| Sales taxes  | 832,999     | -                        | 832,999                        |
| Hotel occupancy taxes  | -           | 245,294                  | 245,294                        |
| Franchise fees   | 59,064      | -                        | 59,064                         |
| Fines and court costs  | 168,298     | -                        | 168,298                        |
| Licenses and permits   | 64,919      | -                        | 64,919                         |
| Charges for services   | 38,298      | -                        | 38,298                         |
| Intergovernmental  | 116,605     | -                        | 116,605                        |
| Interest earnings  | 11,153      | 4,026                    | 15,179                         |
| Court technology   | -           | 163                      | 163                            |
| Child safety   | -           | 5,059                    | 5,059                          |
| Court security   | -           | 162                      | 162                            |
| Miscellaneous  | 165,628     | 2,550                    | 168,178                        |
| <b>Total Revenues</b>  | 2,100,480   | 257,254                  | 2,357,734                      |
| <b>Expenditures</b>  |             |                          |                                |
| General government:  |             |                          |                                |
| Governing body   | 243,464     | -                        | 243,464                        |
| Office management  | 520,961     | -                        | 520,961                        |
| Public safety:   |             |                          |                                |
| Fire department  | 137,967     | -                        | 137,967                        |
| Police department  | 1,222,456   | -                        | 1,222,456                      |
| Municipal court  | 40,096      | -                        | 40,096                         |
| Parks, recreation, and culture:                                      |             |                          |                                |
| Sports complex   | 193,355     | -                        | 193,355                        |
| Parks and recreation   | 179,224     | -                        | 179,224                        |
| Swimming pool  | 28,443      | -                        | 28,443                         |
| Library  | 276,828     | -                        | 276,828                        |
| Civic center   | 186,058     | -                        | 186,058                        |
| City cemetery  | 73,271      | -                        | 73,271                         |
| Public works:  |             |                          |                                |
| Street department  | 696,341     | -                        | 696,341                        |
| Industrial development   | -           | 2,400                    | 2,400                          |
| Tourism  | -           | 186,381                  | 186,381                        |
| Blinn College  | 1,000       | -                        | 1,000                          |
| Debt service:  |             |                          |                                |
| Principal  | 146,199     | -                        | 146,199                        |
| Interest   | 9,187       | -                        | 9,187                          |
| <b>Total Expenditures</b>  | 3,954,850   | 188,781                  | 4,143,631                      |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | (1,854,370) | 68,473                   | (1,785,897)                    |

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2022

|  | General      | Nonmajor<br>Governmental | Total<br>Governmental<br>Funds |
|--|--------------|--------------------------|--------------------------------|
| <b><u>Other Financing Sources (Uses)</u></b> |              |                          |                                |
| Transfers in                                 | \$ 1,854,370 | \$ -                     | \$ 1,854,370                   |
| <b>Total Other Financing Sources</b>         | 1,854,370    | -                        | 1,854,370                      |
| <b>Net Change in Fund Balances</b>           | -            | 68,473                   | 68,473                         |
| Beginning fund balances                      | -            | 1,053,368                | 1,053,368                      |
| <b>Ending Fund Balances</b>                  | \$ -         | \$ 1,121,841             | \$ 1,121,841                   |

See Notes to Financial Statements.

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**CITY OF SCHULENBURG, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

Amounts reported for governmental activities in the Statement of Activities are different because:

|   |    |        |
|---|----|--------|
| Net changes in fund balances - total governmental funds | \$ | 68,473 |
|---|----|--------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                |  |           |
|----------------|--|-----------|
| Capital outlay |  | 201,463   |
| Depreciation   |  | (749,836) |

The issuance of long-term debt (e.g., bonds, notes payable, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. The net pension liability and total other postemployment benefits (OPEB) liability and deferred outflows and deferred inflows related to the net pension liability and total OPEB liability are not reported in the governmental funds.

|  |  |           |
|--|--|-----------|
| Principal payment on bonds and notes payable |  | 146,199   |
| Amortization of deferred charges             |  | (3,824)   |
| Deferred outflows - pensions (TMRS)          |  | (17,899)  |
| Deferred outflows - pensions (TESRS)         |  | (1,002)   |
| Deferred outflows - OPEB (TMRS)              |  | (12,434)  |
| Deferred inflows - pensions (TMRS)           |  | (292,242) |
| Deferred inflows - pensions (TESRS)          |  | (62,020)  |
| Deferred inflows - OPEB (TMRS)               |  | 13,421    |
| Net pension liability - TMRS                 |  | 651,217   |
| Net pension liability - TESRS                |  | 190,307   |
| Total OPEB liability - TMRS                  |  | (9,815)   |
| On-behalf revenue - TESRS                    |  | 2,642     |
| On-behalf expense - TESRS                    |  | (2,642)   |
| Change in compensated absences               |  | (6,590)   |
| Accrued interest                             |  | 1,042     |

|  |           |                |
|--|-----------|----------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$</b> | <b>116,460</b> |
|--|-----------|----------------|

See Notes to Financial Statements.

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# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2022

|  | <b>Business-Type<br/>Activities</b> |
|--|-------------------------------------|
|  | <b>Utility</b>                      |
| <b><u>Assets</u></b>   |                                     |
| <b>Current Assets</b>  |                                     |
| Cash and cash equivalents                                    | \$ 3,032,654                        |
| Investments  | 1,144,862                           |
| Restricted cash and cash equivalents                         | 246,520                             |
| Receivables, net   | 1,339,153                           |
| Inventory  | 428,248                             |
| Other assets   | 3,019                               |
| <b>Total Current Assets</b>                                  | <b>6,194,456</b>                    |
| <b>Noncurrent Assets</b>                                     |                                     |
| Capital assets:  |                                     |
| Nondepreciable   | 205,953                             |
| Depreciable capital assets                                   | 28,980,786                          |
| Less: accumulated depreciation                               | (18,967,788)                        |
| <b>Total Capital Assets, Net of Accumulated Depreciation</b> | <b>10,218,951</b>                   |
| <b>Total Noncurrent Assets</b>                               | <b>10,218,951</b>                   |
| <b>Total Assets</b>  | <b>16,413,407</b>                   |
| <b>Deferred Outflows of Resources</b>                        |                                     |
| Deferred outflows - pensions (TMRS)                          | 107,259                             |
| Deferred outflows - OPEB (TMRS)                              | 16,231                              |
| <b>Total Deferred Outflows of Resources</b>                  | <b>123,490</b>                      |
| <b><u>Liabilities</u></b>                                    |                                     |
| <b>Current Liabilities</b>                                   |                                     |
| Accounts payable   | 431,430                             |
| Unearned revenue   | 722,514                             |
| Customer deposits  | 246,520                             |
| Due to state   | 23,960                              |
| Due to fiduciary   | 46,247                              |
| Due to other funds   | 6,599                               |
| Due to component unit  | 25,946                              |
| <b>Total Current Liabilities</b>                             | <b>1,503,216</b>                    |
| <b>Noncurrent liabilities</b>                                |                                     |
| Long-term debt due within one year                           | 47,090                              |
| Long-term debt due more than one year                        | 234,290                             |
| <b>Total Noncurrent Liabilities</b>                          | <b>281,380</b>                      |
| <b>Total Liabilities</b>                                     | <b>1,784,596</b>                    |
| <b>Deferred Inflows of Resources</b>                         |                                     |
| Deferred inflows - pensions (TMRS)                           | 289,005                             |
| Deferred inflows - OPEB (TMRS)                               | 14,900                              |
| <b>Total Deferred Inflows of Resources</b>                   | <b>303,905</b>                      |
| <b><u>Net Position</u></b>                                   |                                     |
| Net investment in capital assets                             | 10,161,416                          |
| Unrestricted   | 4,286,980                           |
| <b>Total Net Position</b>                                    | <b>\$ 14,448,396</b>                |

See Notes to Financial Statements.

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**CITY OF SCHULENBURG, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended September 30, 2022

|  | <b>Business-Type<br/>Activities</b> |
|--|-------------------------------------|
|  | <b>Utility</b>                      |
| <b><u>Operating Revenues</u></b>               |                                     |
| Charges for services                           | \$ 10,541,057                       |
| Penalties and interest                         | 115,988                             |
| Licenses and permits                           | 600                                 |
| Other revenue                                  | 62,550                              |
| <b>Total Operating Revenues</b>                | <b>10,720,195</b>                   |
| <b><u>Operating Expenses</u></b>               |                                     |
| Payroll costs                                  | 1,028,885                           |
| Professional services                          | 99,744                              |
| Contracted services                            | 4,536,892                           |
| Supplies and materials                         | 750,951                             |
| Recurring operating expense                    | 938,655                             |
| Depreciation expense                           | 683,346                             |
| Miscellaneous expense                          | 4,140                               |
| <b>Total Operating Expenses</b>                | <b>8,042,613</b>                    |
| <b>Operating Income</b>                        | <b>2,677,582</b>                    |
| <b><u>Nonoperating Revenues (Expenses)</u></b> |                                     |
| Investment income                              | 21,221                              |
| Intergovernmental revenue                      | 172,292                             |
| Interest and fiscal agent fees                 | (4,370)                             |
| <b>Total Nonoperating Revenue</b>              | <b>189,143</b>                      |
| <b>Income Before Transfers</b>                 | <b>2,866,725</b>                    |
| <b><u>Transfers</u></b>                        |                                     |
| Transfers (out)                                | <b>(1,854,370)</b>                  |
| <b>Change in Net Position</b>                  | <b>1,012,355</b>                    |
| Beginning net position                         | <b>13,436,041</b>                   |
| <b>Ending Net Position</b>                     | <b>\$ 14,448,396</b>                |

See Notes to Financial Statements.

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

|  | <b>Business-Type<br/>Activities</b> |
|--|-------------------------------------|
|  | <b>Utility</b>                      |
| <b><u>Cash Flows from Operating Activities</u></b>                     |                                     |
| Receipts from customers and users                                      | \$ 11,016,674                       |
| Payments for employees   | (1,197,156)                         |
| Payments to suppliers  | (5,963,257)                         |
| <b>Net Cash Provided by Operating Activities</b>                       | <b>3,856,261</b>                    |
| <b><u>Cash Flows from Noncapital Financing Activities</u></b>          |                                     |
| Transfer to other funds  | (1,854,370)                         |
| Intergovernmental revenue  | 172,292                             |
| <b>Net Cash (Used) by Noncapital Financing Activities</b>              | <b>(1,682,078)</b>                  |
| <b><u>Cash Flows from Capital and Related Financing Activities</u></b> |                                     |
| Acquisition and construction of capital assets                         | (2,043,008)                         |
| Principal paid on notes payable  | (26,670)                            |
| <b>Net Cash (Used) by Capital and Related Financing Activities</b>     | <b>(2,074,048)</b>                  |
| <b><u>Cash Flows from Investing Activities</u></b>                     |                                     |
| Interest on investments  | 21,221                              |
| <b>Net Cash Provided by Investing Activities</b>                       | <b>21,221</b>                       |
| <b>Net Increase in Cash and Cash Equivalents</b>                       | <b>121,356</b>                      |
| Beginning cash and cash equivalents                                    | 3,157,818                           |
| <b>Ending Cash and Cash Equivalents</b>                                | <b>\$ 3,279,174</b>                 |
| <b>Ending Cash and Cash Equivalents</b>                                |                                     |
| Unrestricted cash and cash equivalents                                 | \$ 3,032,654                        |
| Restricted cash and cash equivalents                                   | 246,520                             |
|  | <b>\$ 3,279,174</b>                 |

# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2022

|  | <u>Business-Type<br/>Activities</u><br><u>Utility</u> |
|--|---|
| <b>Reconciliation of Operating Income (Loss)<br/>to Net Cash Provided (Used) by Operating Activities</b> |   |
| Operating income   | \$ 2,677,582  |
| <b>Adjustments to Reconcile Operating Income to Net Cash<br/>Provided by Operating Activities:</b>       |   |
| Depreciation   | 683,346   |
| <b>Changes in Operating Assets and Liabilities:</b>  |   |
| <b>(Increase) Decrease in Assets:</b>  |   |
| Accounts receivable  | (74,968)  |
| Inventory  | 164,845   |
| Deferred outflows - pensions (TMRS)  | 9,251   |
| Deferred outflows - OPEB (TMRS)  | 6,426   |
| <b>Increase (Decrease) in Liabilities:</b>   |   |
| Customer deposits  | 9,833   |
| Unearned revenue   | 361,614   |
| Deferred inflows - pensions (TMRS)   | 151,050   |
| Deferred inflows - OPEB (TMRS)   | (6,937)   |
| Accounts payable and accrued liabilities   | 195,994   |
| Compensated absences   | 3,457   |
| Net pension liability - TMRS   | (336,591)   |
| Total OPEB liability - TMRS  | 5,073   |
| Due to state   | 6,286   |
| <b>Net Cash Provided by Operating Activities</b>   | <u><u>\$ 3,856,261</u></u>                            |

See Notes to Financial Statements.

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# CITY OF SCHULENBURG, TEXAS

## STATEMENT OF FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

September 30, 2022

|                           | <u>Library Trust</u> | <u>Fire Protection</u> | <u>Perpetual Care<br/>Cemetery Trust</u> | <u>Total<br/>Fiduciary<br/>Funds</u> |
|---------------------------|----------------------|------------------------|--|--------------------------------------|
| <b>Assets:</b>            |                      |                        |  |                                      |
| Cash and cash equivalents | \$ 271               | \$ 410,282             | \$ 284,301                               | \$ 694,854                           |
| Investments               | 23,284               | -                      | -  | 23,284                               |
| Accounts receivable       | -                    | 3,012                  | -  | 3,012                                |
| Due from other units      | -                    | 42,266                 | 3,981                                    | 46,247                               |
| <b>Total Assets</b>       | <u>\$ 23,555</u>     | <u>\$ 455,560</u>      | <u>\$ 288,282</u>                        | <u>\$ 767,397</u>                    |
| <b>Net Position:</b>      |                      |                        |  |                                      |
| Held in trust             | <u>\$ 23,555</u>     | <u>\$ 455,560</u>      | <u>\$ 288,282</u>                        | <u>\$ 767,397</u>                    |
| <b>Total Net Position</b> | <u>\$ 23,555</u>     | <u>\$ 455,560</u>      | <u>\$ 288,282</u>                        | <u>\$ 767,397</u>                    |

See Notes to Financial Statements.

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**CITY OF SCHULENBURG, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended September 30, 2022**

|                               | <u>Library Trust</u> | <u>Fire Protection</u> | <u>Perpetual Care<br/>Cemetery Trust</u> | <u>Total<br/>Fiduciary<br/>Funds</u> |
|-------------------------------|----------------------|------------------------|--|--------------------------------------|
| <b><u>Additions</u></b>       |                      |                        |  |                                      |
| Public donations              | \$ -                 | \$ 25,573              | \$ -                                     | \$ 25,573                            |
| Interest earned               | 2                    | 629                    | 75                                       | 706                                  |
| <b>Total Revenues</b>         | <u>2</u>             | <u>26,202</u>          | <u>75</u>                                | <u>26,279</u>                        |
| <b>Change in Net Position</b> | 2                    | 26,202                 | 75                                       | 26,279                               |
| Beginning net position        | <u>23,553</u>        | <u>429,358</u>         | <u>288,207</u>                           | <u>741,118</u>                       |
| <b>Ending Net Position</b>    | <u>\$ 23,555</u>     | <u>\$ 455,560</u>      | <u>\$ 288,282</u>                        | <u>\$ 767,397</u>                    |

See Notes to Financial Statements.

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**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Schulenburg, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) in 1875. The City has operated under the Mayor-Alderman form of government.

The City provides the following services: public safety; public works; economic development; water and sewer services; general administration; garbage collection; electric services; parks, recreation and culture, and warehouse storage.

The City is an independent political subdivision of the State governed by an elected commission and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component unit as listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

**Discretely Presented Component Unit**

**Schulenburg Economic Development Corporation**

The Schulenburg Economic Development Corporation (SEDC) was created to levy and account for the collection of a sales and use tax at the rate of one half of the City’s sales tax rate for the purpose of financing economic development projects that provide economic benefit and diversify the economic base of the community. City Council appoints all members of the governing board and approves any debt issued by the SEDC.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary*

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

*government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and community services. The general fund is always considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the industrial development escrow, hotel/motel occupancy tax, grant, court technology, child safety, and court security funds. The special revenue funds are considered nonmajor funds for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are known as the utility funds and are used to account for the operations that provide electricity, garbage, warehouse, water and wastewater collection, and wastewater treatment operations. The services 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 general public on a continuing basis will be financed or recovered primarily through user charges.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

Additionally, the City reports the following fund type:

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The City maintains three fiduciary funds: the library trust fund, the fire protection fund, and the perpetual care cemetery trust fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

**2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and is reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following: direct obligations of the U.S. Government, fully collateralized certificates of deposit and money market accounts, and statewide investment pools.

**3. Receivables**

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

All trade receivables are shown net of an allowance for uncollectibles.

**4. Inventories**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

**5. Capital Assets**

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial and an estimated useful life in excess of eight years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government and the SEDC are depreciated using the straight-line method over the following estimated useful years:

| <u>Asset Description</u>   | <u>Estimated Useful Life</u> |
|----------------------------|------------------------------|
| Furniture and equipment    | 8 to 10 years                |
| Vehicles                   | 8 to 10 years                |
| Infrastructure             | 15 to 30 years               |
| Utility system             | 25 years                     |
| Buildings and improvements | 25 to 50 years               |

**6. Leases**

The City is a lessee for noncancellable leases of equipment. The City would recognize a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements for the noncancellable leases of equipment. The City's lease liability and right-to-use lease assets are immaterial and not reported. The total payments on the lease of equipment are reported as operational costs.

The City is a lessor for a noncancellable lease of City property. The City would recognize a lease receivable and deferred inflows of resources from leases in the general fund for the noncancellable lease of City property. The City's lease receivable and deferred inflows of resources from leases are immaterial and not reported. The City's lease receipts for the lease of City property is reported as revenue in the general fund.

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### **8. Compensated Employee Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

#### **9. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year to the general fund. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the general fund.



**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

**10. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**11. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**12. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

**13. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**14. Pensions**

For the 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 the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS' and TESRS' fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. 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.

**15. Other Postemployment Benefits**

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for exclusion of proceeds and capital outlay for capital leases. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter is the object and purpose stated in the approved budget. Appropriations lapse at the end of the year.

**A. Excess of Expenditures over Appropriations**

|                                 |           |
|---------------------------------|-----------|
| General fund                    |           |
| General government:             |           |
| Office management               | \$ 85,321 |
| Public safety:                  |           |
| Fire department                 | \$ 17     |
| Parks, recreation, and culture: |           |
| Sports complex                  | \$ 687    |
| Parks and recreation            | \$ 5,774  |
| Library                         | \$ 9,428  |
| Public works:                   |           |
| Street department               | \$ 19,291 |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2022, the City had the following investments:

| <b>Investment Type</b>              | <b>Fair Value</b>   | <b>Weighted Average<br/>Maturity (Years)</b> |
|-------------------------------------|---------------------|--|
| TexPool                             | \$ 3,721,611        | 0.07   |
| Certificates of deposit             | 1,168,146           | 0.50   |
| <b>Total Investments</b>            | <b>\$ 4,889,757</b> |  |
| Portfolio Weighted Average Maturity |                     | 0.17   |

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

*Credit risk.* The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than ‘AAA’ or ‘AAA-m’, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2022, the City’s investments in TexPool were rated ‘AAAm’ by Standard & Poor’s.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of year end, fair market values of pledged securities and FDIC coverage exceeded bank balances.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rates TexPool ‘AAAm’. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

**B. Receivables**

The following comprises receivable balances at year end:

|                   | <u>General</u>    | <u>Nonmajor<br/>Governmental</u> | <u>Enterprise</u>   |
|-------------------|-------------------|----------------------------------|---------------------|
| Property taxes    | \$ 17,304         | \$ -                             | \$ -                |
| Sales taxes       | 154,460           | -                                | -                   |
| Hotel taxes       | -                 | 49,878                           | -                   |
| Other taxes       | 1,126             | -                                | -                   |
| Utilities         | -                 | -                                | 1,562,478           |
| Other receivables | -                 | -                                | -                   |
| Allowance         | (4,393)           | -                                | (223,325)           |
|                   | <u>\$ 168,497</u> | <u>\$ 49,878</u>                 | <u>\$ 1,339,153</u> |

**Long-Term Receivables**

Loans receivable (the “Loans”) of \$66,666 for the City and \$160,815 for the SEDC are being utilized by businesses within the City for the purchase of land, machinery, equipment, and working capital expenditures. The Loans are made in exchange for the creation of full-time job positions held by low/moderate income persons through the Texas Department of Commerce. There are currently six outstanding Loans that have remaining terms varying from one to twelve years.

The annual loan receivable requirements at year end are as follows:

| <b>Fiscal Year<br/>Ended Sep. 30</b> | <b>Governmental Activities Long-<br/>Term Receivable</b> |                 | <b>Component Unit Long-Term<br/>Receivable</b> |                  |
|--------------------------------------|--|-----------------|--|------------------|
|                                      | <u>Principal</u>   | <u>Interest</u> | <u>Principal</u>                               | <u>Interest</u>  |
| 2023                                 | \$ 11,773  | \$ 2,146        | \$ 16,667                                      | \$ 3,816         |
| 2024                                 | 12,192   | 1,727           | 70,261   | 3,287            |
| 2025                                 | 12,626   | 1,292           | 36,625   | 1,561            |
| 2026                                 | 13,075   | 844             | 5,127  | 873              |
| 2027                                 | 13,540   | 379             | 5,257  | 743              |
| 2028-2032                            | 3,460  | 20              | 26,878   | 1,656            |
| <b>Total</b>                         | <u>\$ 66,666</u>   | <u>\$ 6,408</u> | <u>\$ 160,815</u>                              | <u>\$ 11,936</u> |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

**C. Capital Assets**

A summary of changes in capital assets for governmental activities at year end is as follows:

| <b>Governmental Activities:</b>               | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>(Decreases)</b>                      | <b>Ending<br/>Balance</b> |
|---|------------------------------|---------------------|---|---------------------------|
| Capital assets not being depreciated:         |                              |                     |   |                           |
| Land  | \$ 322,302                   | \$ 33,918           | \$ -                                    | \$ 356,220                |
| Total capital assets not<br>being depreciated | <u>322,302</u>               | <u>33,918</u>       | <u>-</u>                                | <u>356,220</u>            |
| Other capital assets:                         |                              |                     |   |                           |
| Building                                      | 6,545,583                    | -                   | -                                       | 6,545,583                 |
| Machinery and equipment                       | 1,245,449                    | 69,911              | (118,364)                               | 1,196,996                 |
| Vehicles                                      | 2,613,982                    | 97,634              | (12,922)                                | 2,698,694                 |
| Infrastructure                                | 13,256,557                   | -                   | -                                       | 13,256,557                |
| Total other capital assets                    | <u>23,661,571</u>            | <u>167,545</u>      | <u>(131,286)</u>                        | <u>23,697,830</u>         |
| Less accumulated depreciation for:            |                              |                     |   |                           |
| Building                                      | (4,070,397)                  | (136,442)           | -                                       | (4,206,839)               |
| Machinery and equipment                       | (724,696)                    | (87,680)            | 118,364                                 | (694,012)                 |
| Vehicles                                      | (2,262,573)                  | (80,538)            | 12,922                                  | (2,330,189)               |
| Infrastructure                                | (9,259,909)                  | (445,176)           | -                                       | (9,705,085)               |
| Total accumulated depreciation                | <u>(16,317,575)</u>          | <u>(749,836)</u>    | <u>131,286</u>                          | <u>(16,936,125)</u>       |
| Other capital assets, net                     | <u>7,343,996</u>             | <u>(582,291)</u>    | <u>-</u>                                | <u>6,761,705</u>          |
| <b>Governmental Activities</b>                |                              |                     |   |                           |
| <b>Capital Assets, Net</b>                    | <u>\$ 7,666,298</u>          | <u>\$ (548,373)</u> | <u>\$ -</u>                             | <u>7,117,925</u>          |
|   |                              |                     | Less associated debt                    | (243,824)                 |
|   |                              |                     | Plus deferred charge on refunding       | <u>3,822</u>              |
|   |                              |                     | <b>Net Investment in Capital Assets</b> | <u>\$ 6,877,923</u>       |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

Depreciation was charged to governmental functions as follows:

|  |                          |
|--|--------------------------|
| General government:  |                          |
| Governing body   | \$ 26,492                |
| Building inspector   | 5,756                    |
| Public safety:   |                          |
| Fire department  | 35,414                   |
| Police department  | 54,870                   |
| Parks, recreation, and culture:                                |                          |
| Sports complex   | 35,269                   |
| Parks and recreation   | 68,272                   |
| Swimming pool  | 485                      |
| Library  | 1,221                    |
| Civic center   | 9,780                    |
| City cemetery  | 1,776                    |
| Public works:  |                          |
| Street department  | 510,501                  |
| <b>Total Governmental-Type Activities Depreciation Expense</b> | <u><u>\$ 749,836</u></u> |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

The following is a summary of changes in capital assets for business-type activities for the year:

| <b>Business-Type Activities:</b>                        | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>(Decreases)</b>                      | <b>Ending<br/>Balance</b> |
|---|------------------------------|---------------------|---|---------------------------|
| Capital assets not being depreciated:                   |                              |                     |   |                           |
| Land  | \$ 205,953                   | \$ -                | \$ -                                    | \$ 205,953                |
| Total capital assets not<br>being depreciated           | 205,953                      | -                   | -                                       | 205,953                   |
| Other capital assets:                                   |                              |                     |   |                           |
| Building  | 1,053,629                    | -                   | -                                       | 1,053,629                 |
| Machinery and equipment                                 | 3,284,451                    | -                   | -                                       | 3,284,451                 |
| Furniture and fixtures                                  | 133,819                      | -                   | -                                       | 133,819                   |
| Utility system  | 22,465,879                   | 2,043,008           | -                                       | 24,508,887                |
| Total other capital assets                              | 26,937,778                   | 2,043,008           | -                                       | 28,980,786                |
| Less accumulated depreciation for:                      |                              |                     |   |                           |
| Building  | (707,858)                    | (23,888)            | -                                       | (731,746)                 |
| Machinery and equipment                                 | (2,535,939)                  | (125,789)           | -                                       | (2,661,728)               |
| Furniture and fixtures                                  | (133,819)                    | -                   | -                                       | (133,819)                 |
| Utility system  | (14,906,826)                 | (533,669)           | -                                       | (15,440,495)              |
| Total accumulated depreciation                          | (18,284,442)                 | (683,346)           | -                                       | (18,967,788)              |
| Other capital assets, net                               | 8,653,336                    | 1,359,662           | -                                       | 10,012,998                |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b>\$ 8,859,289</b>          | <b>\$ 1,359,662</b> | <b>\$ -</b>                             | <b>10,218,951</b>         |
|   |                              |                     | Less associated debt                    | (57,535)                  |
|   |                              |                     | <b>Net Investment in Capital Assets</b> | <b>\$ 10,161,416</b>      |

Depreciation was charged to business-type functions as follows:

|  |                   |
|--|-------------------|
| Electric   | \$ 143,264        |
| Water  | 267,642           |
| Sewer  | 213,582           |
| Warehouse  | 43,347            |
| Garbage  | 15,511            |
| <b>Total Business-Type Activities Depreciation Expense</b> | <b>\$ 683,346</b> |



**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

The following is a summary of changes in capital assets for the SEDC for the year:

| <b>Component Unit:</b>                    | <b>Beginning<br/>Balance</b> | <b>Increases</b>   | <b>(Decreases)</b>                      | <b>Ending<br/>Balance</b> |
|---|------------------------------|--------------------|---|---------------------------|
| Capital assets being depreciated:         |                              |                    |   |                           |
| EDC Blinn College                         | \$ 1,288,990                 | \$ -               | \$ -                                    | \$ 1,288,990              |
| Less accumulated depreciation for:        |                              |                    |   |                           |
| EDC Blinn College                         | (1,074,160)                  | (71,610)           | -                                       | (1,145,770)               |
| <b>Component Unit Capital Assets, Net</b> | <u>\$ 214,830</u>            | <u>\$ (71,610)</u> | <u>\$ -</u>                             | <u>143,220</u>            |
|   |                              |                    | Less associated debt                    | (178,000)                 |
|   |                              |                    | <b>Net Investment in Capital Assets</b> | <u>\$ (34,780)</u>        |

**D. Long-Term Debt**

The following is a summary of changes in the City's total long-term liabilities for the year. In general, the City uses the general fund to liquidate governmental long-term liabilities. Long-term liabilities such as compensated absences and net pension and total OPEB liabilities are recorded in the governmental and business-type activities.

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
|--|------------------------------|------------------|---|---------------------------|--|
| <b>Governmental Activities:</b>          |                              |                  |   |                           |  |
| Direct borrowings/private placement:     |                              |                  |   |                           |  |
| General obligation refunding             |                              |                  |   |                           |  |
| bonds                                    | \$ 235,000                   | \$ -             | \$ (117,000)  | \$ 118,000                | * \$ 118,000                               |
| Note payable                             | 155,023                      | -                | (29,199)  | 125,824                   | * 30,075                                   |
| Other liabilities:                       |                              |                  |   |                           |  |
| Compensated absences                     | 40,515                       | 76,707           | (70,117)  | 47,105                    | 42,395                                     |
| Net pension liability - TMRS             | 983,178                      | -                | (651,217)   | 331,961                   | -  |
| Net pension liability - TESRS            | 267,235                      | -                | (190,307)   | 76,928                    | -  |
| Total OPEB liability - TMRS              | 112,142                      | 9,815            | -   | 121,957                   | -  |
| <b>Total Governmental<br/>Activities</b> | <u>\$ 1,793,093</u>          | <u>\$ 86,522</u> | <u>\$ (1,057,840)</u>                                     | <u>\$ 821,775</u>         | <u>\$ 190,470</u>                          |
|  |                              |                  | <b>Long-term liabilities due in more than one year</b>    | <u>\$ 631,305</u>         |  |
|  |                              |                  | <b>* Debt associated with governmental capital assets</b> | <u>\$ 243,824</u>         |  |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

|   | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
|---|------------------------------|------------------|---|---------------------------|--|
| <b>Business-Type Activities:</b>          |                              |                  |   |                           |  |
| Direct borrowings/private placement:      |                              |                  |   |                           |  |
| Note payable                              | \$ 84,205                    | \$ -             | \$ (26,670)   | \$ 57,535                 | * \$ 28,054                                |
| Other liabilities:                        |                              |                  |   |                           |  |
| Compensated absences                      | 17,694                       | 31,669           | (28,212)  | 21,151                    | 19,036                                     |
| Net pension liability - TMRS              | 474,988                      | -                | (336,591)   | 138,397                   | -  |
| Total OPEB liability - TMRS               | 59,224                       | 5,073            | -   | 64,297                    | -  |
| <b>Total Business-Type<br/>Activities</b> | <b>\$ 636,111</b>            | <b>\$ 36,742</b> | <b>\$ (391,473)</b>   | <b>\$ 281,380</b>         | <b>\$ 47,090</b>                           |
|   |                              |                  | <b>Long-term liabilities due in more than one year</b>      | <b>\$ 234,290</b>         |  |
|   |                              |                  | <b>* Debt associated with business-type capital assets</b>  | <b>\$ 57,535</b>          |  |
|   |                              |                  |   |                           |  |
|   | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
| <b>Component Unit:</b>                    |                              |                  |   |                           |  |
| Direct borrowings/private placement:      |                              |                  |   |                           |  |
| Sales tax revenue bonds                   | \$ 264,000                   | \$ -             | \$ (86,000)   | \$ 178,000                | * \$ 88,000                                |
| <b>Total Component Unit</b>               | <b>\$ 264,000</b>            | <b>\$ -</b>      | <b>\$ (86,000)</b>  | <b>\$ 178,000</b>         | <b>\$ 88,000</b>                           |
|   |                              |                  | <b>Long-term liabilities due in more than one year</b>      | <b>\$ 90,000</b>          |  |
|   |                              |                  | <b>* Debt associated with component unit capital assets</b> | <b>\$ 178,000</b>         |  |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The direct borrowings/private placements are considered long-term debt. The current requirements for the principal and interest expenditures are accounted for in the general fund for the direct borrowing/placements reflected in governmental activities. The interest expense for the direct borrowing/placements within the governmental activities, business-type activities, and component units was \$21,566 for the year ended September 30, 2022.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

Long-term debt at year end was comprised of the following debt issues:

| Description  | Interest Rates | Balance           |
|--|----------------|-------------------|
| <b>Governmental Activities</b>                       |                |                   |
| General Obligation Refunding Bonds                   |                |                   |
| Series 2012  | 1.93%          | \$ 118,000        |
| Note Payable   | 3.00%          | 125,824           |
| <b>Total Governmental Activities Long-Term Debt</b>  |                | <b>\$ 243,824</b> |
| <b>Business-Type Activities</b>                      |                |                   |
| Note Payable   | 4.00-5.00%     | \$ 57,535         |
| <b>Total Business-Type Activities Long-Term Debt</b> |                | <b>\$ 57,535</b>  |
| <b>Component Unit</b>                                |                |                   |
| Sales Tax Revenue Refunding Bonds, Series 2012       | 1.98%          | \$ 178,000        |
| <b>Total Component Unit Long-Term Debt</b>           |                | <b>\$ 178,000</b> |

General obligation bonds are direct obligations of the City’s primary government which its full faith and credit are pledged. The City is not obligated in any manner for special assessment debt. The annual requirements to amortize general obligation at year end were as follows:

| Fiscal Year  | Governmental Activities Long-Term Debt |                 |                   |
|--------------|--|-----------------|-------------------|
| Ended        | General Obligation                     |                 |                   |
| Sep. 30      | Principal                              | Interest        | Total             |
| 2023         | \$ 118,000                             | \$ 2,277        | \$ 120,277        |
| <b>Total</b> | <b>\$ 118,000</b>                      | <b>\$ 2,277</b> | <b>\$ 120,277</b> |

The sales tax revenue bonds are direct obligations of the component unit for which full faith and credit are pledged. Repayment of the sales tax revenue bonds is from the sales tax revenue collected. The annual requirements to amortize the sales tax revenue bonds at year end were as follows:

| Fiscal Year  | Component Unit Long-Term Debt |                 |                   |
|--------------|-------------------------------|-----------------|-------------------|
| Ended        | Sales Tax Revenue Bonds       |                 |                   |
| Sep. 30      | Principal                     | Interest        | Total             |
| 2023         | \$ 88,000                     | \$ 3,524        | \$ 91,524         |
| 2024         | 90,000                        | 1,782           | 91,782            |
| <b>Total</b> | <b>\$ 178,000</b>             | <b>\$ 5,306</b> | <b>\$ 183,306</b> |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

The City entered into a note payable agreement with Tymco Inc. on October 13, 2020 for the purchase of a street sweeper in the amount of \$155,023. Repayment of the note payable for the purchase of the street sweeper is from the general fund. The annual requirements to amortize the note payable for the purchase of a street sweeper at year end were as follows:

| <b>Fiscal Year<br/>Ended Sep. 30</b> | <b>Governmental Activities Note Payable</b> |                 |                   |
|--------------------------------------|---|-----------------|-------------------|
|                                      | <b>Principal</b>                            | <b>Interest</b> | <b>Total</b>      |
| 2023                                 | \$ 30,075                                   | \$ 3,775        | \$ 33,850         |
| 2024                                 | 30,978                                      | 2,872           | 33,850            |
| 2025                                 | 31,907                                      | 1,943           | 33,850            |
| 2026                                 | 32,864                                      | 986             | 33,850            |
| <b>Total</b>                         | <b>\$ 125,824</b>                           | <b>\$ 9,576</b> | <b>\$ 135,400</b> |

The City entered into a note payable agreement with Altec Capital Services, LLC on January 1, 2020 for the purchase of a truck in the amount of \$140,599. Repayment of the note payable for the purchase of the truck is from the utility fund. The annual requirements to amortize the note payable for the purchase of a truck at year end were as follows:

| <b>Fiscal Year<br/>Ended Sep. 30</b> | <b>Business-Type Activities Note Payable</b> |                 |                  |
|--------------------------------------|--|-----------------|------------------|
|                                      | <b>Principal</b>                             | <b>Interest</b> | <b>Total</b>     |
| 2023                                 | \$ 28,054                                    | \$ 2,986        | \$ 31,040        |
| 2024                                 | 29,481                                       | 1,559           | 31,040           |
| <b>Total</b>                         | <b>\$ 57,535</b>                             | <b>\$ 4,545</b> | <b>\$ 62,080</b> |

**E. Interfund Transactions**

The composition of due to/from balances as of year end was as follows:

| <b>Due To</b>         | <b>Due From</b>       | <b>Amount</b>     |
|-----------------------|-----------------------|-------------------|
| Nonmajor Governmental | General               | \$ 54,037         |
| Nonmajor Governmental | Nonmajor Governmental | 52,577            |
| Fire Protection       | Utility               | 42,266            |
| Cemetery Trust        | Utility               | 3,981             |
| Nonmajor Governmental | Utility               | 6,599             |
|                       | <b>Total</b>          | <b>\$ 159,460</b> |

Amounts recorded as due to/from are considered to be temporary loans and will generally be repaid in more than one year.

Transfers between the governmental funds during the year were as follows:

| <b>Transfer Out</b> | <b>Transfer In</b> | <b>Amounts</b> |
|---------------------|--------------------|----------------|
| Utility             | General            | \$ 1,854,370   |

Amounts transferred between funds related to amounts collected by the utility fund for various governmental expenditures and moving restricted funds from the general fund to special revenue funds.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

**F. Fund Equity**

As of September 30, 2022, \$516,746 of the City's total fund balance is restricted by enabling legislation, \$599,426 is restricted by industrial development, and \$5,669 is restricted by grant activities.

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with roughly 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

**C. Pension Plans**

**1. Texas Municipal Retirement System**

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [tmrs.com](http://tmrs.com).

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

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

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 member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member contributions 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:

|  | <b>2022</b>               | <b>2021</b>               |
|--|---------------------------|---------------------------|
| Employee deposit rate  | 7.00%                     | 7.00%                     |
| Matching ratio (City to employee)                                    | 2 to 1                    | 2 to 1                    |
| Years required for vesting   | 5                         | 5                         |
| Service requirement eligibility<br>(expressed as age/yrs of service) | 60/5, 0/20                | 60/5, 0/20                |
| Updated service credit   | 100% Repeating, Transfers | 100% Repeating, Transfers |
| Annuity increase (to retirees)                                       | 70% of CPI                | 70% of CPI                |

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 33         |
| Inactive employees entitled to, but not yet receiving, benefits  | 32         |
| Active employees   | 39         |
| <b>Total</b>   | <b>104</b> |

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 20.30% and 18.62% in calendar years 2021 and 2022 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$402,811, which were equal to the required contributions.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50% per year   |
| Overall payroll growth    | 2.75% per year, adjusted down for population declines, if any      |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| <u>Assets Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|----------------------------------|--------------------------|--|
| Global equity                    | 35.00%                   | 7.55%  |
| Core fixed income                | 6.00%                    | 2.00%  |
| Non-core fixed income            | 20.00%                   | 5.68%  |
| Other public and private markets | 12.00%                   | 7.22%  |
| Real estate                      | 12.00%                   | 6.85%  |
| Hedge funds                      | 5.00%                    | 5.35%  |
| Private equity                   | 10.00%                   | 10.00%   |
| <b>Total</b>                     | <b>100.00%</b>           |  |

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

|   | <u>Increase (Decrease)</u>         |  |  |
|---|------------------------------------|--|--|
|   | <u>Total Pension Liability (A)</u> | <u>Plan Fiduciary Net Position (B)</u> | <u>Net Pension Liability (A) - (B)</u> |
| Changes for the year:   |                                    |  |  |
| Service cost  | \$ 328,693                         | \$ -                                   | \$ 328,693                             |
| Interest  | 1,001,493                          | -                                      | 1,001,493                              |
| Change of benefit terms                                       | -                                  | -                                      | -                                      |
| Difference between expected and actual experience             | (5,189)                            | -                                      | (5,189)                                |
| Changes of assumptions  | -                                  | -                                      | -                                      |
| Contributions - employer                                      | -                                  | 405,867                                | (405,867)                              |
| Contributions - employee                                      | -                                  | 139,954                                | (139,954)                              |
| Net investment income   | -                                  | 1,775,145                              | (1,775,145)                            |
| Benefit payments, including refunds of employee contributions | (818,993)                          | (818,993)                              | -                                      |
| Administrative expense  | -                                  | (8,218)                                | 8,218                                  |
| Other changes   | -                                  | 57                                     | (57)                                   |
| <b>Net Changes</b>  | <b>506,004</b>                     | <b>1,493,812</b>                       | <b>(987,808)</b>                       |
| Balance at December 31, 2020                                  | 15,082,083                         | 13,623,917                             | 1,458,166                              |
| <b>Balance at December 31, 2021</b>                           | <b>\$ 15,588,087</b>               | <b>\$ 15,117,729</b>                   | <b>\$ 470,358</b>                      |

For TMRS, the changes in current period benefits' includes substantively automatic benefit status changes, if applicable.



**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

Sensitivity of the NPL to Changes in the Discount Rate

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

|                              | <b>1% Decrease<br/>in Discount<br/>Rate (5.75%)</b> | <b>Discount Rate<br/>(6.75%)</b> | <b>1% Increase<br/>in Discount<br/>Rate (7.75%)</b> |
|------------------------------|---|----------------------------------|---|
| City's Net Pension Liability | \$ 2,524,189  | \$ 470,358                       | \$ 1,212,769  |

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2022, the City recognized net pension income of \$114,555.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual economic experience     | \$ -  | \$ 142,238                                   |
| Changes in actuarial assumptions                                | 14,455  | -  |
| Net difference between projected and actual investment earnings | -   | 913,945                                      |
| Contributions subsequent to the measurement date                | 288,595                                       | -  |
| <b>Total</b>  | <b>\$ 303,050</b>                             | <b>\$ 1,056,183</b>                          |

\$288,595 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Fiscal<br/>Year Ended<br/>September 30</b> | <b>Pension<br/>Expense</b> |
|---|----------------------------|
| 2023  | \$ (230,948)               |
| 2024  | (446,113)                  |
| 2025  | (193,563)                  |
| 2026  | (171,104)                  |
| Thereafter                                    | -                          |
| <b>Total</b>                                  | <b>\$ (1,041,728)</b>      |

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

**2. Texas Emergency Services Retirement System**

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by TESRS and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2021, there were 239 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2021, TESRS membership consisted of:

|  |       |
|--|-------|
| Retirees and Beneficiaries Currently Receiving Benefits            | 3,843 |
| Terminated Members Entitled to Benefits but Not Yet Receiving Them | 1,706 |
| Active Participants (Vested and Nonvested)                         | 3,571 |

Pension Plan Fiduciary Net Position

Detailed information about the TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and Required Supplementary Information, which can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

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

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

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted every two year years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2020, the Part Two contributions are not required for an adequate contribution arrangement.

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

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2021, total contributions of \$3,813,748 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,329,224 for the fiscal year ending August 31, 2021.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recent completed biennial actuarial valuation as of August 31, 2020 stated the TESRS has an adequate contribution arrangement of the benefits provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions for the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participatin departments in a year) as need in accordance with state law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System’s administrative expenses.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

Actuarial Assumptions

The TPL in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |  |
|----------------------------|--|
| Actuarial Valuation Date   | August 31, 2020 rolled forward to<br>August 31, 2021   |
| Actuarial Cost Method      | Entry Age  |
| Amortization Method        | Level Dollar, Open   |
| Amortization Period        | 30 years   |
| Asset Valuation Method     | Market value smoothed by a 5-year<br>deferred recognition method with a<br>80%/120% corridor on market value |
| Actuarial Assumptions:     |  |
| Investment Rate of Return* | 7.50%  |
| Projected Salary Increases | N/A  |
| *Includes Inflation At     | 3.00%  |
| Cost-of-Living Adjustments | None   |

Mortality rates were based on the SubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.6%) and by adding expected inflation (3.00%). In addition, the final 7.50 percent assumption was selected by rounding down.

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>      | <u>Target</u>  | <u>Long-Term</u> |
|-------------------------|----------------|------------------|
| Equities                |                |                  |
| Large cap domestic      | 20.00%         | 5.83%            |
| Small/mid cap domestic  | 10.00%         | 5.94%            |
| Developed international | 15.00%         | 6.15%            |
| Emerging markets        | 5.00%          | 7.25%            |
| Global infrastructure   | 5.00%          | 6.41%            |
| Multi asset income      | 5.00%          | 3.84%            |
| Real estate             | 10.00%         | 4.48%            |
| Fixed income            | 30.00%         | 1.99%            |
| <b>Total</b>            | <u>100.00%</u> |                  |
| Weighted average        |                | 4.60%            |

Discount Rate

The discount rate used to measure the TPL was 7.50 percent. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Discount Rate Sensitivity Analysis

The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 7.5%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

|   | <b>1% Decrease in<br/>Discount Rate<br/>(6.5%)</b> | <b>Discount Rate<br/>(7.5%)</b> | <b>1% Increase in<br/>Discount Rate<br/>(8.5%)</b> |
|---|--|---------------------------------|--|
| City's proportionate share of the net pension liability | \$ 251,428   | \$ 76,928                       | \$ (39,562)  |

Pension Liability, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At September 30, 2022, the City reported a liability of \$76,928 for its proportionate share of TESRS NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

|  |                  |
|--|------------------|
| City's proportionate share of the collective net pension liability | \$ 76,928        |
| State's proportionate share that is associated with the City*      | 21,297           |
| <b>Total</b>   | <b>\$ 98,225</b> |

\*Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective NPL.

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2020. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report an NPL measured as of August 31, 2021. The City used the assumption that any differences in the NPL measured as of August 31, 2021 versus September 30, 2021 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to TESRS relative to the contributions of all employers to TESRS for the period September 1, 2020 through August 31, 2021.

At September 30, 2022, the City's proportion of the collective NPL was 0.718%, which was a decrease of 0.342% from its proportion measured as of September 30, 2021.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the measurement year ended August 31, 2021, the City recognized pension expense of \$106,712. The City recognized on-behalf revenues of \$2,642 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

At September 30, 2022, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Net difference between projected and actual investment earnings | \$ -  | \$ 72,036                                    |
| Changes in assumptions  | -   | 105  |
| Differences between expected and actual economic experience     | -   | 3,043  |
| Contributions paid to TESRS subsequent to the measurement date  | 36,328  | -  |
| <b>Total</b>  | <b>\$ 36,328</b>                              | <b>\$ 75,184</b>                             |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date in the amount of \$36,328 will be recognized as a reduction to the net pension liability for the year ended September 30, 2023.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Fiscal Year Ended<br/>September 30</b> | <b>Pension<br/>Expense</b> |
|---|----------------------------|
| 2023                                      | \$ (20,320)                |
| 2024                                      | (12,514)                   |
| 2025                                      | (23,613)                   |
| 2026                                      | (18,737)                   |
| <b>Total</b>                              | <b>\$ (75,184)</b>         |

**D. Other Postemployment Benefits**

**TMRS – Supplemental Death Benefits**

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2021 is summarized below:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 23        |
| Inactive employees entitled to, but not yet receiving, benefits  | 6         |
| Active employees   | 39        |
| <b>Total</b>   | <b>68</b> |

Total OPEB Liability

The City's total OPEB liability of \$186,254 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                               |   |
|-------------------------------|---|
| Inflation                     | 2.50%   |
| Salary increases              | 3.50% to 11.50% including inflation   |
| Discount rate*                | 1.84%   |
| Administrative expenses       | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB No. 68.  |
| Mortality - service retirees  | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  |
| Mortality - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future |

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2021 actuarial valuation.

**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2022

Changes in the Total OPEB Liability

|   |                                     | <u>Total OPEB<br/>Liability</u> |
|---|-------------------------------------|---------------------------------|
| Changes for the year:                             |                                     |                                 |
| Service cost                                      | \$                                  | 8,797                           |
| Interest  |                                     | 3,483                           |
| Difference between expected and actual experience |                                     | 35                              |
| Changes of assumptions                            |                                     | 5,772                           |
| Benefit payments*                                 |                                     | (3,199)                         |
|   | <b>Net Changes</b>                  | <u>14,888</u>                   |
| Balance at December 31, 2020                      |                                     | <u>171,366</u>                  |
|   | <b>Balance at December 31, 2021</b> | <u><u>\$ 186,254</u></u>        |

\* Benefit payments are treated as being equal to the employer's yearly contribution for retirees due to the SDBF being considered an unfund OPEB plan under GASB 75.

The discount rate decreased from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

|                             | <u>1% Decrease<br/>(0.84%)</u> | <u>Discount Rate<br/>(1.84%)</u> | <u>1% Increase<br/>(2.84%)</u> |
|-----------------------------|--------------------------------|----------------------------------|--------------------------------|
| City's Total OPEB Liability | <u>\$ 228,683</u>              | <u>\$ 186,254</u>                | <u>\$ 153,917</u>              |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$16,152. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 14,319                                     | \$ 38,703                                    |
| Changes in actuarial assumptions                            | 27,994  | 2,003  |
| Contributions subsequent to the measurement date            | 1,860   | -  |
| <b>Total</b>  | <u><u>\$ 44,173</u></u>                       | <u><u>\$ 40,706</u></u>                      |

\$1,860 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for



**CITY OF SCHULENBURG, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2022**

the fiscal year ending September 30, 2023. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Fiscal<br/>Year Ended<br/>September 30</b> | <b>OPEB<br/>Expense</b> |
|---|-------------------------|
| 2023  | \$ 2,309                |
| 2024  | (6,089)                 |
| 2025  | 3,790                   |
| 2026  | 1,597                   |
| <b>Total</b>                                  | <b>\$ 1,607</b>         |

**E. Subsequent Events**

The SEDC loaned \$100,000 to Joe’s Sports Bar on November 22, 2022, and \$100,000 to Faith Family Center LLC on January 7, 2023 (the “Loans”) which will be utilized for capital expenditures. The businesses reside within the City limits and the Loans were provided to encourage economic activity within the City. The SEDC will report the loans as loans receivable in fiscal year 2023. The terms of the Loans provided are 20 years with annual interest rates of 3.5%.

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***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF SCHULENBURG, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)**  
**GENERAL FUND**

For the Year Ended September 30, 2022

|                                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------|----------------------------|-------------------------|--------------------|---|
| <b>Revenues</b>                 |                            |                         |                    |   |
| Property taxes                  | \$ 658,000                 | \$ 658,000              | \$ 643,516         | \$ (14,484)   |
| Sales taxes                     | 600,000                    | 600,000                 | 832,999            | 232,999   |
| Franchise fees                  | 65,000                     | 65,000                  | 59,064             | (5,936)   |
| Fines and court costs           | 165,000                    | 165,000                 | 168,298            | 3,298   |
| Licenses and permits            | 50,000                     | 50,000                  | 64,919             | 14,919  |
| Charges for services            | 16,200                     | 16,200                  | 38,298             | 22,098  |
| Intergovernmental               | -                          | 29,702                  | 116,605            | 86,903  |
| Interest earnings               | 3,600                      | 3,600                   | 11,153             | 7,553   |
| Miscellaneous                   | 160,300                    | 160,300                 | 165,628            | 5,328   |
| <b>Total Revenues</b>           | <u>1,718,100</u>           | <u>1,747,802</u>        | <u>2,100,480</u>   | <u>352,678</u>  |
| <b>Expenditures</b>             |                            |                         |                    |   |
| Current:                        |                            |                         |                    |   |
| General government:             |                            |                         |                    |   |
| Governing body                  | 258,400                    | 258,400                 | 243,464            | 14,936  |
| Office management               | 463,040                    | 435,640                 | 520,961            | (85,321) *  |
| Public safety:                  |                            |                         |                    |   |
| Fire department                 | 123,450                    | 137,950                 | 137,967            | (17) *  |
| Police department               | 1,261,250                  | 1,255,750               | 1,222,456          | 33,294  |
| Municipal court                 | 69,760                     | 69,760                  | 40,096             | 29,664  |
| Parks, recreation, and culture: |                            |                         |                    |   |
| Sports complex                  | 124,950                    | 192,668                 | 193,355            | (687) *   |
| Parks and recreation            | 173,450                    | 173,450                 | 179,224            | (5,774) *   |
| Swimming pool                   | 41,575                     | 28,775                  | 28,443             | 332   |
| Library                         | 267,400                    | 267,400                 | 276,828            | (9,428) *   |
| Civic center                    | 23,300                     | 188,200                 | 186,058            | 2,142   |
| City cemetery                   | 90,500                     | 90,500                  | 73,271             | 17,229  |
| Public works:                   |                            |                         |                    |   |
| Street department               | 624,050                    | 677,050                 | 696,341            | (19,291) *  |
| Blinn College                   | 1,000                      | 1,000                   | 1,000              | -   |
| Debt service:                   |                            |                         |                    |   |
| Interest                        | 9,251                      | 9,251                   | 9,187              | 64  |
| Principal                       | 146,199                    | 146,199                 | 146,199            | -   |
| <b>Total Expenditures</b>       | <u>3,678,075</u>           | <u>3,931,993</u>        | <u>3,954,850</u>   | <u>(22,857)</u>   |
| <b>(Deficiency) of Revenues</b> |                            |                         |                    |   |
| <b>(Under) Expenditures</b>     | <u>(1,959,975)</u>         | <u>(2,184,191)</u>      | <u>(1,854,370)</u> | <u>329,821</u>  |

**CITY OF SCHULENBURG, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)**  
**GENERAL FUND**

For the Year Ended September 30, 2022

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|------------------|---|
| <b><u>Other Financing Sources (Uses)</u></b> |                            |                         |                  |   |
| Transfers in                                 | \$ -                       | \$ -                    | \$ 1,854,370     | \$ 1,854,370  |
| <b>Total Other Financing Sources</b>         | <u>-</u>                   | <u>-</u>                | <u>1,854,370</u> | <u>1,854,370</u>  |
| <br>   |                            |                         |                  |   |
| <b>Net Change in Fund Balance</b>            | <u>\$ (1,959,975)</u>      | <u>\$ (2,184,191)</u>   | -                | <u>\$ 2,184,191</u>   |
| Beginning fund balance                       |                            |                         | <u>-</u>         |   |
| <b>Ending Fund Balance</b>                   |                            |                         | <u>\$ -</u>      |   |

**Notes to Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except as noted below.
2. \* Expenditures exceeded appropriations at the legal level of control.

**CITY OF SHULENBURG, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2022**

|   | Measurement Year*           |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | 2014                        | 2015                        | 2016                        | 2017                        |
| <b>Total Pension Liability</b>  |                             |                             |                             |                             |
| Service cost  | \$ 263,056                  | \$ 252,168                  | \$ 280,316                  | \$ 288,289                  |
| Interest (on the total pension liability)                                     | 820,921                     | 858,360                     | 854,698                     | 901,737                     |
| Difference between expected and actual experience                             | 115,917                     | (127,647)                   | 202,611                     | (148,001)                   |
| Changes in assumptions  | -                           | 80,798                      | -                           | -                           |
| Benefit payments, including refunds of employee contributions                 | (659,072)                   | (660,166)                   | (695,503)                   | (593,978)                   |
| <b>Net Change in Total Pension Liability</b>                                  | <u>540,822</u>              | <u>403,513</u>              | <u>642,122</u>              | <u>448,047</u>              |
| Beginning total pension liability   | <u>11,925,457</u>           | <u>12,466,279</u>           | <u>12,869,792</u>           | <u>13,511,914</u>           |
| <b>Ending Total Pension Liability</b>   | <u><u>\$ 12,466,279</u></u> | <u><u>\$ 12,869,792</u></u> | <u><u>\$ 13,511,914</u></u> | <u><u>\$ 13,959,961</u></u> |
| <b>Plan Fiduciary Net Position</b>  |                             |                             |                             |                             |
| Contributions - employer  | \$ 354,508                  | \$ 312,551                  | \$ 355,711                  | \$ 385,296                  |
| Contributions - employee  | 117,852                     | 104,883                     | 117,696                     | 119,551                     |
| Net investment income   | 574,088                     | 15,370                      | 687,867                     | 1,474,004                   |
| Benefit payments, including refunds of employee contributions                 | (659,072)                   | (660,166)                   | (695,503)                   | (593,978)                   |
| Administrative expense  | (5,994)                     | (9,362)                     | (7,769)                     | (7,640)                     |
| Other   | (493)                       | (462)                       | (419)                       | (387)                       |
| <b>Change in Plan Fiduciary Net Position</b>                                  | <u>380,889</u>              | <u>(237,187)</u>            | <u>457,583</u>              | <u>1,376,846</u>            |
| Beginning plan fiduciary net position   | <u>10,035,181</u>           | <u>10,416,070</u>           | <u>10,178,883</u>           | <u>10,636,466</u>           |
| <b>Ending Plan Fiduciary Net Position</b>                                     | <u><u>\$ 10,416,070</u></u> | <u><u>\$ 10,178,883</u></u> | <u><u>\$ 10,636,466</u></u> | <u><u>\$ 12,013,312</u></u> |
| <b>Net Pension Liability</b>  | <u><u>\$ 2,050,209</u></u>  | <u><u>\$ 2,690,909</u></u>  | <u><u>\$ 2,875,448</u></u>  | <u><u>\$ 1,946,649</u></u>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 83.55%                      | 79.09%                      | 78.72%                      | 86.06%                      |
| <b>Covered Payroll</b>  | \$ 1,683,601                | \$ 1,498,327                | \$ 1,647,946                | \$ 1,707,873                |
| <b>Net Pension Liability as a Percentage of Covered Payroll</b>               | 121.78%                     | 179.59%                     | 174.49%                     | 113.98%                     |

\*Only eight years of information is currently available. The City will build this schedule over the next two-year period.

| <b>Measurement Year *</b> |                      |                      |                      |
|---------------------------|----------------------|----------------------|----------------------|
| <b>2018</b>               | <b>2019</b>          | <b>2020</b>          | <b>2021</b>          |
| \$ 301,501                | \$ 322,030           | \$ 323,435           | \$ 328,693           |
| 928,211                   | 957,010              | 988,431              | 1,001,493            |
| (61,600)                  | (71,786)             | (274,576)            | (5,189)              |
| -                         | 86,737               | -                    | -                    |
| <u>(718,886)</u>          | <u>(784,559)</u>     | <u>(873,826)</u>     | <u>(818,993)</u>     |
| <u>449,226</u>            | <u>509,432</u>       | <u>163,464</u>       | <u>506,004</u>       |
| <u>13,959,961</u>         | <u>14,409,187</u>    | <u>14,918,619</u>    | <u>15,082,083</u>    |
| <u>\$ 14,409,187</u>      | <u>\$ 14,918,619</u> | <u>\$ 15,082,083</u> | <u>\$ 15,588,087</u> |
| <br>                      |                      |                      |                      |
| \$ 395,138                | \$ 407,625           | \$ 420,935           | \$ 405,867           |
| 125,327                   | 133,149              | 137,049              | 139,954              |
| (359,796)                 | 1,769,297            | 983,386              | 1,775,145            |
| (718,886)                 | (784,559)            | (873,826)            | (818,993)            |
| (6,955)                   | (10,000)             | (6,367)              | (8,218)              |
| (363)                     | (301)                | (248)                | 57                   |
| <u>(565,535)</u>          | <u>1,515,211</u>     | <u>660,929</u>       | <u>1,493,812</u>     |
| <u>12,013,312</u>         | <u>11,447,777</u>    | <u>12,962,988</u>    | <u>13,623,917</u>    |
| <u>\$ 11,447,777</u>      | <u>\$ 12,962,988</u> | <u>\$ 13,623,917</u> | <u>\$ 15,117,729</u> |
| <br>                      |                      |                      |                      |
| <u>\$ 2,961,410</u>       | <u>\$ 1,955,631</u>  | <u>\$ 1,458,166</u>  | <u>\$ 470,358</u>    |
| <br>                      |                      |                      |                      |
| 79.45%                    | 86.89%               | 90.33%               | 96.98%               |
| \$ 1,790,388              | \$ 1,902,124         | \$ 1,957,841         | \$ 1,999,348         |
| <br>                      |                      |                      |                      |
| 165.41%                   | 102.81%              | 74.48%               | 23.53%               |

**CITY OF SCHULENBURG, TEXAS**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2022**

|  | <b>Measurement Year*</b> |                   |                   |                   |
|--|--------------------------|-------------------|-------------------|-------------------|
|  | <b>2014</b>              | <b>2015</b>       | <b>2016</b>       | <b>2017</b>       |
| City's proportion of the net pension liability                             | 1.544%                   | 1.611%            | 1.678%            | 1.670%            |
| City's proportionate share of the net pension liability                    | \$ 280,801               | \$ 430,091        | \$ 488,653        | \$ 400,828        |
| State's proportionate share of the net pension liability                   | 94,864                   | 149,082           | 168,932           | 131,256           |
| <b>Total</b>   | <b>\$ 375,665</b>        | <b>\$ 579,173</b> | <b>\$ 657,585</b> | <b>\$ 532,084</b> |
| Number of active members**   | 31                       | 34                | 31                | 31                |
| City's net pension liability per active member                             | \$ 9,058                 | \$ 12,650         | \$ 15,665         | \$ 12,930         |
| Plan fiduciary net position as a percentage of the total pension liability | 83.50%                   | 76.90%            | 76.30%            | 81.40%            |

\*Only eight years of information is currently available. The City will build this schedule over the next two-year period.

\*\*There is no compensation for active members. Number of active members is used instead.

**Notes to Required Supplementary Information:**

*1. Changes in benefit terms*

There were no changes of benefit terms that affected measurement of the total pension liability (TPL) during the measurement period.

*2. Changes in assumptions*

There were no changes of assumptions or other input that affected measurement of the TPL during the measurement period.



| <b>Measurement Year*</b> |                   |                   |                  |
|--------------------------|-------------------|-------------------|------------------|
| <b>2018</b>              | <b>2019</b>       | <b>2020</b>       | <b>2021</b>      |
| 1.049%                   | 1.264%            | 1.060%            | 0.718%           |
| \$ 227,113               | \$ 358,288        | \$ 267,235        | \$ 76,928        |
| 63,032                   | 106,278           | 76,181            | 21,298           |
| <u>\$ 290,145</u>        | <u>\$ 464,566</u> | <u>\$ 343,416</u> | <u>\$ 98,225</u> |
| 35                       | 35                | 34                | 34               |
| \$ 6,489                 | \$ 10,237         | \$ 7,860          | \$ 2,263         |
| 84.26%                   | 80.20%            | 83.20%            | 93.10%           |

# CITY OF SCHULENBURG, TEXAS

## SCHEDULE OF CONTRIBUTIONS

### TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2022

|   | Fiscal Year* |              |              |              |
|---|--------------|--------------|--------------|--------------|
|   | 2014         | 2015         | 2016         | 2017         |
| Actuarially determined contribution                                     | \$ 355,817   | \$ 323,632   | \$ 351,092   | \$ 380,247   |
| Contributions in relation to the<br>actuarially determined contribution | 355,817      | 323,632      | 351,092      | 380,247      |
| Contribution deficiency (excess)  | \$ -         | \$ -         | \$ -         | \$ -         |
| <br>Covered payroll   | \$ 1,676,756 | \$ 1,535,066 | \$ 1,655,659 | \$ 1,707,709 |
| <br>Contributions as a percentage of<br>covered payroll                 | 21.32%       | 21.08%       | 21.21%       | 22.27%       |

\*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

#### Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level percentage of payroll, closed  |
| Remaining amortization period | 24 Years (longest amortization ladder)   |
| Asset valuation method        | 10 year smoothed market; 12.00% soft corridor  |
| Inflation                     | 2.50%  |
| Salary increases              | 3.50% to 11.50% including inflation  |
| Investment rate of return     | 6.75%  |
| Retirement age                | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.   |
| Mortality                     | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

3. Other Information:

There were no benefit changes during the year.

| <b>Fiscal Year*</b> |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>2018</b>         | <b>2019</b>         | <b>2020</b>         | <b>2021</b>         | <b>2022</b>         |
| \$ 388,897          | \$ 405,386          | \$ 407,999          | \$ 404,284          | \$ 402,811          |
| 388,897             | 405,386             | 407,999             | 404,284             | 402,811             |
| \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| <u>\$ 1,753,130</u> | <u>\$ 1,878,490</u> | <u>\$ 1,899,184</u> | <u>\$ 1,960,581</u> | <u>\$ 2,112,560</u> |
| 22.18%              | 21.58%              | 21.48%              | 20.62%              | 19.07%              |

**CITY OF SCHULENBURG, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2022**

|  | <b>Fiscal Year*</b> |             |             |             |
|--|---------------------|-------------|-------------|-------------|
|  | <b>2014</b>         | <b>2015</b> | <b>2016</b> | <b>2017</b> |
| Contractually required contribution                        | \$ 70,312           | \$ 76,109   | \$ 70,000   | \$ 70,100   |
| Contributions in relation to the<br>contractually required | 70,312              | 76,109      | 70,000      | 70,100      |
| Contribution deficiency (excess)                           | <u>\$ -</u>         | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Number of active members**                                 | 31                  | 34          | 31          | 31          |
| Contributions per active member                            | \$ 2,268            | \$ 2,239    | \$ 2,258    | \$ 2,261    |

\*Only nine years of information is currently available. The City will build this schedule over the next one-year period.

\*\*There is no compensation for active members. Number of active members is used instead.

| <b>Fiscal Year*</b> |             |             |             |             |
|---------------------|-------------|-------------|-------------|-------------|
| <b>2018</b>         | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
| \$ 69,688           | \$ 64,534   | \$ 50,883   | \$ 35,880   | \$ 36,328   |
| 69,688              | 64,534      | 50,883      | 35,880      | 36,328      |
| \$ -                | \$ -        | \$ -        | \$ -        | \$ -        |
| 35                  | 35          | 35          | 34          | 33          |
| \$ 1,991            | \$ 1,844    | \$ 1,454    | \$ 1,055    | \$ 1,101    |

**CITY OF SCHULENBURG, TEXAS**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND**  
**RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2022**

|  | Measurement Year* |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2017              | 2018              | 2019              | 2020              |
| <b>Total OPEB Liability</b>                                    |                   |                   |                   |                   |
| Service cost   | \$ 4,440          | \$ 5,371          | \$ 5,516          | \$ 7,048          |
| Interest (on the total OPEB liability)                         | 4,491             | 4,524             | 7,390             | 4,147             |
| Difference between expected and actual experience              | -                 | 62,744            | (83,670)          | (8,982)           |
| Change of assumptions  | 9,867             | (8,795)           | 23,265            | 22,544            |
| Benefit payments**   | (1,366)           | (1,432)           | (1,331)           | (1,370)           |
| <b>Net Change in Total OPEB Liability</b>                      | <u>17,432</u>     | <u>62,412</u>     | <u>(49,130)</u>   | <u>23,387</u>     |
| Beginning total OPEB liability                                 | <u>117,265</u>    | <u>134,697</u>    | <u>197,109</u>    | <u>147,979</u>    |
| <b>Ending Total OPEB Liability</b>                             | <u>\$ 134,697</u> | <u>\$ 197,109</u> | <u>\$ 147,979</u> | <u>\$ 171,366</u> |
| <b>Covered Payroll</b>   | \$ 1,707,873      | \$ 1,790,388      | \$ 1,902,124      | \$ 1,957,841      |
| <b>Total OPEB Liability as a Percentage of Covered Payroll</b> | 7.89%             | 11.01%            | 7.78%             | 8.75%             |

\* Only five years of information is currently available. The City will build this schedule over the next five-year period.

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

**Notes to Required Supplementary Information:**

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Inflation                     | 2.5%   |
| Salary increases              | 3.5% to 11.5% including inflation  |
| Discount rate                 | 1.84%  |
| Administrative expenses       | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.   |
| Mortality - service retirees  | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.   |
| Mortality - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

There were no benefit changes during the year.

| <b>Measurement</b> |                |
|--------------------|----------------|
| <b>Year*</b>       |                |
| <b>2021</b>        |                |
| \$                 | 8,797          |
|                    | 3,483          |
|                    | 35             |
|                    | 5,772          |
|                    | (3,199)        |
|                    | <u>14,888</u>  |
|                    | <u>171,366</u> |
| \$                 | <u>186,254</u> |
| \$                 | 1,999,348      |
|                    | 9.32%          |

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## ***COMBINING STATEMENTS***

# CITY OF SCHULENBURG, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2022

|   | Industrial<br>Development<br>Escrow | Hotel/Motel<br>Occupancy<br>Tax | Grant           | Court<br>Technology |
|---|-------------------------------------|---------------------------------|-----------------|---------------------|
| <b><u>Assets</u></b>                        |                                     |                                 |                 |                     |
| Cash and cash equivalents                   | \$ 578,738                          | \$ 362,470                      | \$ 5,669        | \$ 4,505            |
| Receivables, net                            | -                                   | 49,878                          | -               | -                   |
| Loans receivable                            | 66,666                              | -                               | -               | -                   |
| Due from other funds                        | 6,599                               | -                               | -               | 35,728              |
| <b>Total Assets</b>                         | <b>\$ 652,003</b>                   | <b>\$ 412,348</b>               | <b>\$ 5,669</b> | <b>\$ 40,233</b>    |
| <b><u>Liabilities and Fund Balances</u></b> |                                     |                                 |                 |                     |
| <b><u>Liabilities</u></b>                   |                                     |                                 |                 |                     |
| Accounts payable                            | \$ -                                | \$ 7,564                        | \$ -            | \$ -                |
| Due to other funds                          | 52,577                              | -                               | -               | -                   |
| <b>Total Liabilities</b>                    | <b>52,577</b>                       | <b>7,564</b>                    | <b>-</b>        | <b>-</b>            |
| <b><u>Fund Balances</u></b>                 |                                     |                                 |                 |                     |
| Restricted for:                             |                                     |                                 |                 |                     |
| Industrial development                      | 599,426                             | -                               | -               | -                   |
| Enabling legislation                        | -                                   | 404,784                         | -               | 40,233              |
| Grant activities                            | -                                   | -                               | 5,669           | -                   |
| <b>Total Fund Balances</b>                  | <b>599,426</b>                      | <b>404,784</b>                  | <b>5,669</b>    | <b>40,233</b>       |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$ 652,003</b>                   | <b>\$ 412,348</b>               | <b>\$ 5,669</b> | <b>\$ 40,233</b>    |

| <b>Child<br/>Safety</b> | <b>Court<br/>Security</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|-------------------------|---------------------------|--|
| \$ 843                  | \$ -                      | \$ 952,225   |
| -                       | -                         | 49,878   |
| -                       | -                         | 66,666   |
| <u>44,392</u>           | <u>26,494</u>             | <u>113,213</u>                                       |
| <u>\$ 45,235</u>        | <u>\$ 26,494</u>          | <u>\$ 1,181,982</u>                                  |
| <br>                    |                           |  |
| \$ -                    | \$ -                      | \$ 7,564   |
| -                       | -                         | 52,577   |
| -                       | -                         | 60,141   |
| <br>                    |                           |  |
| -                       | -                         | 599,426  |
| 45,235                  | 26,494                    | 516,746  |
| -                       | -                         | 5,669  |
| <u>45,235</u>           | <u>26,494</u>             | <u>1,121,841</u>                                     |
| <u>\$ 45,235</u>        | <u>\$ 26,494</u>          | <u>\$ 1,181,982</u>                                  |

**CITY OF SCHULENBURG, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

|                                    | <b>Industrial<br/>Development<br/>Escrow</b> | <b>Hotel/Motel<br/>Occupancy<br/>Tax</b> | <b>Grant</b>    | <b>Court<br/>Technology</b> |
|------------------------------------|--|--|-----------------|-----------------------------|
| <b>Revenues</b>                    |  |  |                 |                             |
| Hotel occupancy tax                | \$ -   | \$ 245,294                               | \$ -            | \$ -                        |
| Interest earnings                  | 4,026  | -  | -               | -                           |
| Court technology                   | -  | -  | -               | 163                         |
| Child safety                       | -  | -  | -               | -                           |
| Court security                     | -  | -  | -               | -                           |
| Miscellaneous                      | 2,550  | -  | -               | -                           |
| <b>Total Revenues</b>              | <b>6,576</b>                                 | <b>245,294</b>                           | <b>-</b>        | <b>163</b>                  |
| <b>Expenditures</b>                |  |  |                 |                             |
| Public works:                      |  |  |                 |                             |
| Industrial development             | 2,400  | -  | -               | -                           |
| Tourism                            | -  | 186,381                                  | -               | -                           |
| <b>Total Expenditures</b>          | <b>2,400</b>                                 | <b>186,381</b>                           | <b>-</b>        | <b>-</b>                    |
| <b>Net Change in Fund Balances</b> | <b>4,176</b>                                 | <b>58,913</b>                            | <b>-</b>        | <b>163</b>                  |
| Beginning fund balances            | 595,250                                      | 345,871                                  | 5,669           | 40,070                      |
| <b>Ending Fund Balances</b>        | <b>\$ 599,426</b>                            | <b>\$ 404,784</b>                        | <b>\$ 5,669</b> | <b>\$ 40,233</b>            |

| <b>Child<br/>Safety</b> | <b>Court<br/>Security</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|-------------------------|---------------------------|--|
| \$ -                    | \$ -                      | \$ 245,294   |
| -                       | -                         | 4,026  |
| -                       | -                         | 163  |
| 5,059                   | -                         | 5,059  |
| -                       | 162                       | 162  |
| -                       | -                         | 2,550  |
| <u>5,059</u>            | <u>162</u>                | <u>257,254</u>                                       |
| -                       | -                         | 2,400  |
| -                       | -                         | 186,381  |
| -                       | -                         | 188,781  |
| <u>5,059</u>            | <u>162</u>                | <u>68,473</u>  |
| <u>40,176</u>           | <u>26,332</u>             | <u>1,053,368</u>                                     |
| <u>\$ 45,235</u>        | <u>\$ 26,494</u>          | <u>\$ 1,121,841</u>                                  |

**CITY OF SCHULENBURG, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended September 30, 2022

|  | <u>Electric<br/>Utility</u> | <u>Water<br/>Utility</u> | <u>Sewer<br/>Utility</u> | <u>Garbage<br/>Utility</u> |
|--|-----------------------------|--------------------------|--------------------------|----------------------------|
| <b><u>Operating Revenues</u></b>               |                             |                          |                          |                            |
| Charges for services                           | \$ 7,790,792                | \$ 860,605               | \$ 745,784               | \$ 1,143,876               |
| Penalties and interest                         | 58,472                      | 34,525                   | 16,077                   | 6,914                      |
| Licenses and permits                           | 300                         | 300                      | -                        | -                          |
| Other revenue                                  | 53,073                      | 4,105                    | 1,219                    | 799                        |
| <b>Total Operating Revenues</b>                | <b>7,902,637</b>            | <b>899,535</b>           | <b>763,080</b>           | <b>1,151,589</b>           |
| <b><u>Operating Expenses</u></b>               |                             |                          |                          |                            |
| Payroll costs                                  | 249,338                     | 210,503                  | 167,653                  | 284,134                    |
| Professional services                          | 74,680                      | 11,466                   | 12,108                   | 1,490                      |
| Contracted services                            | 4,345,748                   | 47,901                   | 80,248                   | 60,029                     |
| Supplies and materials                         | 248,047                     | 151,676                  | 196,781                  | 136,255                    |
| Recurring operating expense                    | 55,559                      | 91,437                   | 271,420                  | 492,058                    |
| Depreciation expense                           | 143,264                     | 267,642                  | 213,582                  | 15,511                     |
| Miscellaneous expense                          | 4,140                       | -                        | -                        | -                          |
| <b>Total Operating Expenses</b>                | <b>5,120,776</b>            | <b>780,625</b>           | <b>941,792</b>           | <b>989,477</b>             |
| <b>Operating Income (Loss)</b>                 | <b>2,781,861</b>            | <b>118,910</b>           | <b>(178,712)</b>         | <b>162,112</b>             |
| <b><u>Nonoperating Revenues (Expenses)</u></b> |                             |                          |                          |                            |
| Investment income                              | 21,221                      | -                        | -                        | -                          |
| Intergovernmental revenue                      | -                           | 172,292                  | -                        | -                          |
| Interest and fiscal agent fees                 | (4,370)                     | -                        | -                        | -                          |
| <b>Total Nonoperating Revenues</b>             | <b>16,851</b>               | <b>172,292</b>           | <b>-</b>                 | <b>-</b>                   |
| <b>Income (Loss) Before Transfers</b>          | <b>2,798,712</b>            | <b>291,202</b>           | <b>(178,712)</b>         | <b>162,112</b>             |
| <b><u>Transfers</u></b>                        |                             |                          |                          |                            |
| Transfers (out)                                | (1,854,370)                 | -                        | -                        | -                          |
| <b>Change in Net Position</b>                  | <b>944,342</b>              | <b>291,202</b>           | <b>(178,712)</b>         | <b>162,112</b>             |
| Beginning net position                         | 19,194,434                  | 1,927,229                | (9,417,883)              | 1,120,745                  |
| <b>Ending Net Position</b>                     | <b>\$ 20,138,776</b>        | <b>\$ 2,218,431</b>      | <b>\$ (9,596,595)</b>    | <b>\$ 1,282,857</b>        |

| <u>Warehouse<br/>Department</u> | <u>Total<br/>Proprietary<br/>Funds</u> |
|---------------------------------|--|
| \$ -                            | \$ 10,541,057                          |
| -                               | 115,988                                |
| -                               | 600                                    |
| 3,354                           | 62,550                                 |
| 3,354                           | 10,720,195                             |
| 117,257                         | 1,028,885                              |
| -                               | 99,744                                 |
| 2,966                           | 4,536,892                              |
| 18,192                          | 750,951                                |
| 28,181                          | 938,655                                |
| 43,347                          | 683,346                                |
| -                               | 4,140                                  |
| 209,943                         | 8,042,613                              |
| (206,589)                       | 2,677,582                              |
| -                               | 21,221                                 |
| -                               | 172,292                                |
| -                               | (4,370)                                |
| -                               | 189,143                                |
| (206,589)                       | 2,866,725                              |
| -                               | (1,854,370)                            |
| (206,589)                       | 1,012,355                              |
| 611,516                         | 13,436,041                             |
| \$ 404,927                      | \$ 14,448,396                          |

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