

ANNUAL FINANCIAL REPORT

of the

CITY OF SCHULENBURG, TEXAS

**For the Year Ended
September 30, 2023**

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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:

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for

twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government 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 and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and total other postemployment benefits liability and related ratios, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 30, 2024

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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, 2023

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 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 funds balance sheet and the governmental funds 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 funds balance sheet and in the governmental funds 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, 2023

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 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 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 of resources by \$22,091,479 as of year end. The largest portion of the City's net position (77%) 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, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	September 30, 2023			September 30, 2022		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 1,480,155	\$ 7,191,129	\$ 8,671,284	\$ 1,305,530	\$ 6,187,857	\$ 7,493,387
Capital assets, net	7,149,095	10,468,116	17,617,211	7,117,925	10,218,951	17,336,876
Total Assets	8,629,250	17,659,245	26,288,495	8,423,455	16,406,808	24,830,263
Deferred outflows - pensions	1,116,723	509,778	1,626,501	232,119	107,259	339,378
Deferred outflows - OPEB	14,589	7,734	22,323	27,942	16,231	44,173
Deferred charge on refunding	-	-	-	3,822	-	3,822
Total Deferred Outflows of Resources	1,131,312	517,512	1,648,824	263,883	123,490	387,373
Long-term liabilities	2,463,161	1,468,299	3,931,460	821,775	281,380	1,103,155
Other liabilities	266,389	1,516,282	1,782,671	171,831	1,496,617	1,668,448
Total Liabilities	2,729,550	2,984,581	5,714,131	993,606	1,777,997	2,771,603
Deferred inflows - pensions	36,646	21,308	57,954	842,362	289,005	1,131,367
Deferred inflows - OPEB	46,002	27,753	73,755	25,806	14,900	40,706
Total Deferred Inflows of Resources	82,648	49,061	131,709	868,168	303,905	1,172,073
Net Position:						
Net investment in capital assets	7,053,347	10,011,545	17,064,892	6,877,923	10,161,416	17,039,339
Restricted	1,200,857	-	1,200,857	1,121,841	-	1,121,841
Unrestricted	(1,305,840)	5,131,570	3,825,730	(1,174,200)	4,286,980	3,112,780
Total Net Position	\$ 6,948,364	\$ 15,143,115	\$ 22,091,479	\$ 6,825,564	\$ 14,448,396	\$ 21,273,960

A portion of the primary government's net position, \$1,200,857, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$3,825,730, may be used to meet the City's ongoing obligation to citizens and creditors.

The overall condition of the City increased \$817,519 during the year. Total assets are \$26,288,495, an increase of \$1,458,232 compared to prior year. The increase in assets is mainly due to an increase in cash and investments from an operating surplus in the utility fund, an increase in customer receivables, and an increase in capital assets. The total liabilities are \$5,714,131, an increase of \$2,942,528 compared to prior year due to the net result of an increase in long-term liabilities and an increase in year end accounts payable and retainage. The increase in long-term liabilities primarily came from an increase in the net pension liabilities and two new financing notes. Deferred outflows of resources increased by \$1,261,451 compared to prior year and deferred inflows decreased by \$1,040,364 compared to prior year. The increase in deferred outflows of resources and decrease in deferred inflows of resources are primarily due to the net difference between projected and actual investment earnings on pension plan assets.

CITY OF SCHULENBURG, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Activities

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

	<u>For the Year Ended September 30, 2023</u>			<u>For the Year Ended September 30, 2022</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
			<u>Primary</u>			<u>Primary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
Revenues						
Program revenues:						
Charges for services	\$ 306,024	\$ 12,164,598	\$ 12,470,622	\$ 275,768	\$ 10,657,645	\$ 10,933,413
Operating grants and contributions	961,979	-	961,979	252,308	-	252,308
Capital grants and contributions	-	34,085	34,085	-	172,292	172,292
General revenues:						
Property taxes	686,922	-	686,922	643,516	-	643,516
Sales taxes	960,790	-	960,790	832,999	-	832,999
Hotel taxes	238,302	-	238,302	245,294	-	245,294
Franchise fees	57,519	-	57,519	59,064	-	59,064
Investment income	103,498	178,015	281,513	15,179	21,221	36,400
Other revenue	84,534	115,473	200,007	33,606	62,550	96,156
Total Revenues	<u>3,399,568</u>	<u>12,492,171</u>	<u>15,891,739</u>	<u>2,357,734</u>	<u>10,913,708</u>	<u>13,271,442</u>
Expenses						
General government	828,715	-	828,715	635,896	-	635,896
Public safety	2,426,887	-	2,426,887	1,186,614	-	1,186,614
Parks, recreation, and culture	926,173	-	926,173	938,925	-	938,925
Public works	1,227,986	-	1,227,986	1,322,240	-	1,322,240
Interest and fees on long-term debt	8,822	19,118	27,940	11,969	4,370	16,339
Utilities	-	9,636,519	9,636,519	-	8,042,613	8,042,613
Total Expenses	<u>5,418,583</u>	<u>9,655,637</u>	<u>15,074,220</u>	<u>4,095,644</u>	<u>8,046,983</u>	<u>12,142,627</u>
Increase (Decrease) in Net Position Before Transfers	(2,019,015)	2,836,534	817,519	(1,737,910)	2,866,725	1,128,815
Transfers in (out)	2,141,815	(2,141,815)	-	1,854,370	(1,854,370)	-
Change in Net Position	122,800	694,719	817,519	116,460	1,012,355	1,128,815
Beginning net position	6,825,564	14,448,396	21,273,960	6,709,104	13,436,041	20,145,145
Ending Net Position	<u>\$ 6,948,364</u>	<u>\$ 15,143,115</u>	<u>\$ 22,091,479</u>	<u>\$ 6,825,564</u>	<u>\$ 14,448,396</u>	<u>\$ 21,273,960</u>

For the year, revenues from governmental activities totaled \$3,399,568, an increase of \$1,041,834 compared to the prior year. This increase was primarily due to a new firefighters grant, an increase in sales tax collections from more sales within the City, and an increase in investment earnings from higher interest rates. Governmental expenses totaled \$5,418,583, an increase of \$1,322,939 from the prior year mainly due to an increase in grant expenses related to a firefighters grant and an increase in personnel costs.

Revenues from business-type activities totaled \$12,492,171, an increase of \$1,578,463 from prior year mainly due to an increase in customer consumption and an increase in electrical and garbage rates. Expenses increased by \$1,608,654 from the prior year mainly due to an increase in wholesale electricity costs, personnel costs, and supplies and materials.

CITY OF SCHULENBURG, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

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 \$1,200,857, of which \$626,911 is restricted for industrial development, \$560,055 is restricted for enabling legislation, \$5,669 is restricted for grant activities, and \$8,222 is restrict for ballpark signs.

There was an increase in the combined fund balance of \$79,016 from the prior year, primarily due to hotel occupancy tax revenues in excess of tourism expenditures and an increase in investment earnings.

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 from the prior year mainly due to a new firefighters grant, interest income, and sales tax revenues. The general fund expenditures increased compared to the prior year due to grant expenditures related to the new firefighters grant, personnel costs, and street projects.

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 budgeted for the general fund expenditures to exceed revenues by \$2,154,703. The actual revenues exceeded the budgeted general fund revenues by \$296,036 during the year. This net positive variance is mainly due to receiving more intergovernmental revenues than anticipated. General fund expenditures of \$5,291,759 exceeded budgeted expenditures by \$274,926. The largest variance was within the fire department related to firefighter grant expenditures.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$17,617,211 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$280,335.

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, 2023

LONG-TERM DEBT

At the end of the current year, the City had total notes payable outstanding of \$552,319 from the purchase of vehicles and equipment. This compared to a notes payable balance in the prior year of 183,359.

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, 2024 was approved at \$0.19342 per \$100 of assessed property value.

The projected revenue for the 2023-2024 fiscal year in the general fund is \$3,284,405. The projected expenditures for the general fund are \$5,507,332. The City plans to subsidize the general fund deficit with revenues from the utility funds. The projected revenue in the utility funds is \$11,590,220. The projected expenses for the utility funds are \$11,576,555.

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	SEDC
<u>Assets</u>				
Cash and cash equivalents	\$ 1,200,525	\$ 3,574,231	\$ 4,774,756	\$ 872,274
Investments	-	1,144,862	1,144,862	136,798
Restricted cash and cash equivalents	-	242,709	242,709	-
Receivables (net of allowance for uncollectible)	218,139	1,561,161	1,779,300	77,230
Due from primary government	-	-	-	25,946
Internal balances	6,599	(6,599)	-	-
Inventory	-	440,853	440,853	-
Prepays	-	230,893	230,893	-
Other assets	-	3,019	3,019	-
Industrial loans receivable	54,892	-	54,892	388,420
Capital assets:				
Nondepreciable	866,024	721,681	1,587,705	-
Net depreciable capital assets	6,283,071	9,746,435	16,029,506	71,610
Total Assets	8,629,250	17,659,245	26,288,495	1,572,278
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions (TMRS)	828,371	509,778	1,338,149	-
Deferred outflows - pensions (TESRS)	288,352	-	288,352	-
Deferred outflows - OPEB (TMRS)	14,589	7,734	22,323	-
Total Deferred Outflows of Resources	1,131,312	517,512	1,648,824	-
<u>Liabilities</u>				
Accounts payable	254,571	448,026	702,597	-
Customer deposits payable	-	242,709	242,709	-
Unearned revenue	11,818	722,514	734,332	-
Due to state	-	30,840	30,840	-
Due to component unit	-	25,946	25,946	-
Due to fiduciary fund	-	46,247	46,247	-
Total Current Liabilities	266,389	1,516,282	1,782,671	-
Noncurrent liabilities:				
Long-term liabilities due within one year	66,816	197,392	264,208	-
Long-term liabilities due in more than one year	2,396,345	1,270,907	3,667,252	-
Total Noncurrent Liabilities	2,463,161	1,468,299	3,931,460	-
Total Liabilities	2,729,550	2,984,581	5,714,131	-
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions (TMRS)	33,487	21,308	54,795	-
Deferred inflows - pensions (TESRS)	3,159	-	3,159	-
Deferred inflows - OPEB (TMRS)	46,002	27,753	73,755	-
Total Deferred Inflows of Resources	82,648	49,061	131,709	-

CITY OF SCHULENBURG, TEXAS

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	SEDC
<u>Net Position</u>				
Net investment in capital assets	\$ 7,053,347	\$ 10,011,545	\$ 17,064,892	\$ 71,610
Restricted for:				
Economic development	-	-	-	1,500,668
Industrial development	626,911	-	626,911	-
Enabling legislation	560,055	-	560,055	-
Grant activities	5,669	-	5,669	-
Ballpark signs	8,222	-	8,222	-
Unrestricted	(1,305,840)	5,131,570	3,825,730	-
Total Net Position	\$ 6,948,364	\$ 15,143,115	\$ 22,091,479	\$ 1,572,278

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 828,715	\$ 49,689	\$ -	\$ -
Public safety	2,426,887	218,863	914,910	-
Parks, recreation, and culture	926,173	-	47,069	-
Public works	1,227,986	37,472	-	-
Interest and fees on long-term debt	8,822	-	-	-
Total Governmental Activities	5,418,583	306,024	961,979	-
Business-Type Activities				
Utilities	9,636,519	12,164,598	-	34,085
Interest and fees on long-term debt	19,118	-	-	-
Total Business-Type Activities	9,655,637	12,164,598	-	34,085
Total Primary Government	\$ 15,074,220	\$ 12,470,622	\$ 961,979	\$ 34,085
Component Unit				
Economic development	\$ 93,509	\$ -	\$ -	\$ -
Interest and fees on long-term debt	230	-	-	-
Total Component Unit	\$ 93,739	\$ -	\$ -	\$ -
General Revenues:				
Property taxes				
Sales taxes				
Hotel tax				
Franchise fees				
Investment income				
Other revenues				
Transfers				
			Total General Revenues and Transfers	
			Change in Net Position	
Beginning net position			Ending Net Position	

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (779,026)	\$ -	\$ (779,026)	\$ -
(1,293,114)	-	(1,293,114)	-
(879,104)	-	(879,104)	-
(1,190,514)	-	(1,190,514)	-
(8,822)	-	(8,822)	-
<u>(4,150,580)</u>	<u>-</u>	<u>(4,150,580)</u>	<u>-</u>
-	2,562,164	2,562,164	-
-	(19,118)	(19,118)	-
-	2,543,046	2,543,046	-
<u>(4,150,580)</u>	<u>2,543,046</u>	<u>(1,607,534)</u>	<u>-</u>
-	-	-	(93,509)
-	-	-	(230)
-	-	-	(93,739)
686,922	-	686,922	-
960,790	-	960,790	480,395
238,302	-	238,302	-
57,519	-	57,519	-
103,498	178,015	281,513	17,268
84,534	115,473	200,007	-
2,141,815	(2,141,815)	-	-
<u>4,273,380</u>	<u>(1,848,327)</u>	<u>2,425,053</u>	<u>497,663</u>
122,800	694,719	817,519	403,924
6,825,564	14,448,396	21,273,960	1,168,354
<u>\$ 6,948,364</u>	<u>\$ 15,143,115</u>	<u>\$ 22,091,479</u>	<u>\$ 1,572,278</u>

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CITY OF SCHULENBURG, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2023

	General	Nonmajor Governmental	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 179,522	\$ 1,021,003	\$ 1,200,525
Receivables, net	168,492	49,647	218,139
Loans receivable	-	54,892	54,892
Due from other funds	79,290	146,960	226,250
Total Assets	\$ 427,304	\$ 1,272,502	\$ 1,699,806
<u>Liabilities</u>			
Accounts payable	\$ 253,994	\$ 577	\$ 254,571
Due to other funds	140,361	79,290	219,651
Unearned revenue	11,818	-	11,818
Total Liabilities	406,173	79,867	486,040
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	12,909	-	12,909
Total Deferred Inflows of Resources	12,909	-	12,909
<u>Fund Balances</u>			
Restricted for:			
Industrial development	-	626,911	626,911
Enabling legislation	-	560,055	560,055
Grant activities	-	5,669	5,669
Ballpark signs	8,222	-	8,222
Total Fund Balances	8,222	1,192,635	1,200,857
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 427,304	\$ 1,272,502	\$ 1,699,806

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, 2023

Total fund balances – total governmental funds \$ 1,200,857

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	866,024
Capital assets – net depreciable	6,283,071

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	(1,613,195)
Net pension liability - TESRS	(628,170)
Total OPEB liability - TMRS	(86,227)
Deferred outflows - pensions (TMRS)	828,371
Deferred outflows - pensions (TESRS)	288,352
Deferred outflows - OPEB (TMRS)	14,589
Deferred inflows - pensions (TMRS)	(33,487)
Deferred inflows - pensions (TESRS)	(3,159)
Deferred inflows - OPEB (TMRS)	(46,002)

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.

Noncurrent liabilities due in one year	(66,816)
Noncurrent liabilities due in more than one year	(68,753)

Net Position of Governmental Activities \$ 6,948,364

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, 2023

	General	Nonmajor Governmental	Total Governmental Funds
Revenues			
Property taxes	\$ 686,922	\$ -	\$ 686,922
Sales taxes	960,790	-	960,790
Hotel occupancy taxes	-	238,302	238,302
Franchise fees	57,519	-	57,519
Fines and court costs	211,829	-	211,829
Licenses and permits	49,689	-	49,689
Charges for services	37,472	-	37,472
Intergovernmental	961,872	107	961,979
Interest earnings	76,358	27,140	103,498
Court technology	-	164	164
Child safety	-	6,675	6,675
Court security	-	195	195
Miscellaneous	115,715	2,145	117,860
Total Revenues	3,158,166	274,728	3,432,894
Expenditures			
General government:			
Governing body	289,239	-	289,239
Office management	529,836	-	529,836
Public safety:			
Fire department	993,999	-	993,999
Police department	1,322,082	-	1,322,082
Municipal court	46,626	-	46,626
Parks, recreation, and culture:			
Sports complex	164,470	-	164,470
Parks and recreation	225,748	-	225,748
Swimming pool	33,736	-	33,736
Library	307,856	-	307,856
Civic center	26,519	-	26,519
City cemetery	75,719	-	75,719
Public works:			
Street department	1,120,296	-	1,120,296
Industrial development	-	1,800	1,800
Tourism	-	202,134	202,134
Blinn College	1,506	-	1,506
Debt service:			
Principal	148,076	-	148,076
Interest	6,051	-	6,051
Total Expenditures	5,291,759	203,934	5,495,693
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,133,593)	70,794	(2,062,799)

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, 2023

	General	Nonmajor Governmental	Total Governmental Funds
<u>Other Financing Sources (Uses)</u>			
Transfers in	\$ 2,141,815	\$ -	\$ 2,141,815
Total Other Financing Sources	2,141,815	-	2,141,815
Net Change in Fund Balances	8,222	70,794	79,016
Beginning fund balances	-	1,121,841	1,121,841
Ending Fund Balances	\$ 8,222	\$ 1,192,635	\$ 1,200,857

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, 2023

Net changes in fund balances - total governmental funds \$ 79,016

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

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	843,366
Depreciation	(778,870)
Disposal of capital assets	(33,326)

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	148,076
Amortization of deferred charges	(3,822)
Deferred outflows - pensions (TMRS)	632,580
Deferred outflows - pensions (TESRS)	68,488
Deferred outflows - OPEB (TMRS)	(13,353)
Deferred inflows - pensions (TMRS)	733,691
Deferred inflows - pensions (TESRS)	255,561
Deferred inflows - OPEB (TMRS)	(20,196)
Net pension liability - TMRS	(1,281,234)
Net pension liability - TESRS	(551,242)
Total OPEB liability - TMRS	35,730
On-behalf revenue - TESRS	5,018
On-behalf expense - TESRS	(5,018)
Change in compensated absences	7,284
Accrued interest	1,051

Change in Net Position of Governmental Activities	\$ 122,800
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See Notes to Financial Statements.

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CITY OF SCHULENBURG, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2023

	Business-Type Activities
	Utility
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 3,574,231
Investments	1,144,862
Restricted cash and cash equivalents	242,709
Receivables, net	1,561,161
Inventory	440,853
Prepays	230,893
Other assets	3,019
Total Current Assets	7,197,728
Noncurrent Assets	
Capital assets:	
Nondepreciable	721,681
Depreciable capital assets	29,427,300
Less: accumulated depreciation	(19,680,865)
Total Capital Assets, Net of Accumulated Depreciation	10,468,116
Total Noncurrent Assets	10,468,116
Total Assets	17,665,844
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions (TMRS)	509,778
Deferred outflows - OPEB (TMRS)	7,734
Total Deferred Outflows of Resources	517,512
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	448,026
Unearned revenue	722,514
Customer deposits	242,709
Due to state	30,840
Due to fiduciary	46,247
Due to other funds	6,599
Due to component unit	25,946
Total Current Liabilities	1,522,881
Noncurrent liabilities	
Long-term debt due within one year	197,392
Long-term debt due more than one year	1,270,907
Total Noncurrent Liabilities	1,468,299
Total Liabilities	2,991,180
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions (TMRS)	21,308
Deferred inflows - OPEB (TMRS)	27,753
Total Deferred Inflows of Resources	49,061
<u>Net Position</u>	
Net investment in capital assets	10,011,545
Unrestricted	5,131,570
Total Net Position	\$ 15,143,115

See Notes to Financial Statements.

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CITY OF SCHULENBURG, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2023

	Business-Type Activities
	Utility
<u>Operating Revenues</u>	
Charges for services	\$ 12,065,885
Penalties and interest	97,863
Licenses and permits	850
Other revenue	115,473
Total Operating Revenues	12,280,071
 <u>Operating Expenses</u>	
Payroll costs	1,470,759
Professional services	237,519
Contracted services	4,826,103
Supplies and materials	1,456,929
Recurring operating expense	915,375
Depreciation expense	713,077
Miscellaneous expense	16,757
Total Operating Expenses	9,636,519
Operating Income	2,643,552
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	178,015
Interest and fiscal agent fees	(19,118)
Total Nonoperating Revenue	158,897
Income Before Contributions and Transfers	2,802,449
 <u>Contributions and Transfers</u>	
Capital contributions	34,085
Transfers (out)	(2,141,815)
Change in Net Position	694,719
Beginning net position	14,448,396
Ending Net Position	\$ 15,143,115

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2023

	Business-Type Activities
	Utility
<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	\$ 12,054,252
Payments for employees	(1,331,742)
Payments to suppliers	(7,672,705)
Net Cash Provided by Operating Activities	3,049,805
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer to other funds	(2,141,815)
Net Cash (Used) by Noncapital Financing Activities	(2,141,815)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(928,157)
Proceeds from notes payable	567,137
Principal paid on notes payable	(168,101)
Interest and fiscal agent fess	(19,118)
Net Cash (Used) by Capital and Related Financing Activities	(548,239)
<u>Cash Flows from Investing Activities</u>	
Interest on investments	178,015
Net Cash Provided by Investing Activities	178,015
Net Increase in Cash and Cash Equivalents	537,766
Beginning cash and cash equivalents	3,279,174
Ending Cash and Cash Equivalents	\$ 3,816,940
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	\$ 3,574,231
Restricted cash and cash equivalents	242,709
	\$ 3,816,940

CITY OF SCHULENBURG, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2023

	<u>Business-Type Activities</u> <u>Utility</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 2,643,552
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	713,077
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts receivable	(222,008)
Inventory	(12,605)
Deferred outflows - pensions (TMRS)	(402,519)
Deferred outflows - OPEB (TMRS)	8,497
Prepays	(230,893)
Increase (Decrease) in Liabilities:	
Customer deposits	(3,811)
Deferred inflows - pensions (TMRS)	(267,697)
Deferred inflows - OPEB (TMRS)	12,853
Accounts payable and accrued liabilities	16,596
Compensated absences	(4,644)
Net pension liability - TMRS	815,266
Total OPEB liability - TMRS	(22,739)
Due to state	6,880
Net Cash Provided by Operating Activities	<u>\$ 3,049,805</u>
Schedule of Non-cash Capital and Related Financing Activities	
Capital contributions	<u>\$ 34,085</u>

See Notes to Financial Statements.

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CITY OF SCHULENBURG, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

September 30, 2023

	Library Trust	Fire Protection	Perpetual Care Cemetery Trust	Total Fiduciary Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 283	\$ 440,984	\$ 284,750	\$ 726,017
Investments	23,284	-	-	23,284
Accounts receivable	-	3,050	-	3,050
Due from other units	-	42,266	3,981	46,247
Total Assets	\$ 23,567	\$ 486,300	\$ 288,731	\$ 798,598
<u>Net Position</u>				
Held in trust	\$ 23,567	\$ 486,300	\$ 288,731	\$ 798,598
Total Net Position	\$ 23,567	\$ 486,300	\$ 288,731	\$ 798,598

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, 2023

	<u>Library Trust</u>	<u>Fire Protection</u>	<u>Perpetual Care Cemetery Trust</u>	<u>Total Fiduciary Funds</u>
<u>Additions</u>				
Public donations	\$ -	\$ 25,647	\$ -	\$ 25,647
Interest earned	12	5,093	449	5,554
Total Revenues	<u>12</u>	<u>30,740</u>	<u>449</u>	<u>31,201</u>
Change in Net Position	12	30,740	449	31,201
Beginning net position	<u>23,555</u>	<u>455,560</u>	<u>288,282</u>	<u>767,397</u>
Ending Net Position	<u>\$ 23,567</u>	<u>\$ 486,300</u>	<u>\$ 288,731</u>	<u>\$ 798,598</u>

See Notes to Financial Statements.

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CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The City reports the following proprietary fund:

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.

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 transfers 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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 leases are reported as other financing sources.

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 pools operate in accordance with appropriate state laws and regulations and are 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

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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).

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 City 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

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 net 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.

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.

7. 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.

8. 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

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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.

9. 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 leases to report are immaterial to the financial statements as a whole and are not recognized as a lease liability or a lease asset. 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 to report is immaterial to the financial statements as a whole and is not recognized as a lease receivable or a deferred inflow of resources. The City’s lease receipts for the lease of City property is reported as revenue in the general fund.

10. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

11. 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.

12. 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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

13. 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.

14. 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.

15. 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.

16. Other Postemployment Benefits

The City participates in a defined benefit group-term life insurance plan administered 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

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 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 outlay for 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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

A. Excess of Expenditures over Appropriations

General fund	
General government:	
Governing body	\$ 6,339
Office management	\$ 26,036
Public safety:	
Fire department	\$ 819,399
Parks, recreation, and culture:	
Parks and recreation	\$ 61,948
Library	\$ 5,221
Debt service:	
Interest	\$ 3,773
Principal	\$ 30,076

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 3,930,241	0.07
Certificates of deposit	1,168,146	0.88
Total Investments	\$ 5,098,387	

Portfolio weighted average maturity 0.26

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, 2023, 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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 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 Governmental</u>	<u>Enterprise</u>
Property taxes	\$ 17,304	\$ -	\$ -
Sales taxes	154,460	-	-
Hotel taxes	-	49,647	-
Other taxes	1,121	-	-
Utilities	-	-	1,777,247
Allowance	(4,393)	-	(216,086)
	<u>\$ 168,492</u>	<u>\$ 49,647</u>	<u>\$ 1,561,161</u>

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Long-Term Receivables

Loans receivable (the “Loans”) of \$54,892 for the City and \$388,420 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 eight outstanding Loans that have remaining terms varying from ten to twenty years.

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

Fiscal Year Ended Sep. 30	Governmental Activities Long- Term Receivable		Component Unit Long-Term Receivable	
	Principal	Interest	Principal	Interest
2024	\$ 12,192	\$ 1,727	\$ 79,250	\$ 11,697
2025	12,626	1,292	45,580	9,654
2026	13,075	844	14,758	8,641
2027	13,540	379	15,230	8,169
2028	3,459	20	15,718	7,681
2029-2033	-	-	78,907	30,622
2034-2038	-	-	68,383	18,611
2039-2043	-	-	70,595	5,666
Total	\$ 54,892	\$ 4,262	\$ 388,420	\$ 100,741

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 356,220	\$ -	\$ -	\$ 356,220
Construction in progress	-	509,804	-	509,804
Total capital assets not being depreciated	<u>356,220</u>	<u>509,804</u>	<u>-</u>	<u>866,024</u>
Other capital assets:				
Building	6,545,583	225,273	-	6,770,856
Machinery and equipment	1,196,996	72,798	(58,549)	1,211,245
Vehicles	2,698,694	35,491	-	2,734,185
Infrastructure	13,256,557	-	-	13,256,557
Total other capital assets	<u>23,697,830</u>	<u>333,562</u>	<u>(58,549)</u>	<u>23,972,843</u>
Less accumulated depreciation for:				
Building	(4,206,839)	(158,969)	-	(4,365,808)
Machinery and equipment	(694,012)	(84,940)	25,223	(753,729)
Vehicles	(2,330,189)	(89,785)	-	(2,419,974)
Infrastructure	(9,705,085)	(445,176)	-	(10,150,261)
Total accumulated depreciation	<u>(16,936,125)</u>	<u>(778,870)</u>	<u>25,223</u>	<u>(17,689,772)</u>
Other capital assets, net	<u>6,761,705</u>	<u>(445,308)</u>	<u>(33,326)</u>	<u>6,283,071</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,117,925</u>	<u>\$ 64,496</u>	<u>\$ (33,326)</u>	<u>7,149,095</u>
			Less associated debt	<u>(95,748)</u>
			Net Investment in Capital Assets	<u>\$ 7,053,347</u>

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Depreciation was charged to governmental functions as follows:

General government:	
Governing body	\$ 26,491
Building inspector	5,756
Public safety:	
Fire department	55,826
Police department	59,306
Parks, recreation, and culture:	
Sports complex	33,035
Parks and recreation	67,623
Swimming pool	26
Library	1,221
Civic center	9,780
City cemetery	1,776
Public works:	
Street department	518,030
Total Governmental Activities Depreciation Expense	\$ 778,870

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

Business-Type Activities:	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital assets not being depreciated:				
Land	\$ 205,953	\$ -	\$ -	\$ 205,953
Construction in progress	-	515,728	-	515,728
Total capital assets not being depreciated	205,953	515,728	-	721,681
Other capital assets:				
Building	1,053,629	14,117	-	1,067,746
Machinery and equipment	3,284,451	432,397	-	3,716,848
Furniture and fixtures	133,819	-	-	133,819
Utility system	24,508,887	-	-	24,508,887
Total other capital assets	28,980,786	446,514	-	29,427,300
Less accumulated depreciation for:				
Building	(731,746)	(24,453)	-	(756,199)
Machinery and equipment	(2,661,728)	(154,869)	-	(2,816,597)
Furniture and fixtures	(133,819)	-	-	(133,819)
Utility system	(15,440,495)	(533,755)	-	(15,974,250)
Total accumulated depreciation	(18,967,788)	(713,077)	-	(19,680,865)
Other capital assets, net	10,012,998	(266,563)	-	9,746,435
Business-Type Activities Capital Assets, Net	\$ 10,218,951	\$ 249,165	\$ -	10,468,116
			Less associated debt	(456,571)
			Net Investment in Capital Assets	\$ 10,011,545

Depreciation was charged to business-type functions as follows:

Electric	\$ 142,941
Water	274,164
Sewer	233,181
Warehouse	47,917
Garbage	14,874
Total Business-Type Activities Depreciation Expense	\$ 713,077

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

Component Unit:	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital assets being depreciated:				
EDC Blinn College	\$ 1,288,990	\$ -	\$ -	\$ 1,288,990
Less accumulated depreciation for:				
EDC Blinn College	(1,145,770)	(71,610)	-	(1,217,380)
Component Unit Capital Assets, Net	\$ 143,220	\$ (71,610)	\$ -	\$ 71,610

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.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Direct borrowings/private placement:					
General obligation refunding					
bonds	\$ 118,000	\$ -	\$ (118,000)	\$ -	\$ -
Note payable	125,824	-	(30,076)	95,748 *	30,977
Other liabilities:					
Compensated absences	47,105	49,240	(56,524)	39,821	35,839
Net pension liability - TMRS	331,961	1,281,234	-	1,613,195	-
Net pension liability - TESRS	76,928	551,242	-	628,170	-
Total OPEB liability - TMRS	121,957	-	(35,730)	86,227	-
Total Governmental Activities	\$ 821,775	\$ 1,881,716	\$ (240,330)	\$ 2,463,161	\$ 66,816

Long-term liabilities due in more than one year \$ 2,396,345

* **Debt associated with governmental capital assets** \$ 95,748

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Direct borrowings/private placement:					
Note payable	\$ 57,535	\$ 567,137	\$ (168,101)	\$ 456,571	* \$ 182,536
Other liabilities:					
Compensated absences	21,151	12,314	(16,958)	16,507	14,856
Net pension liability - TMRS	138,397	815,266	-	953,663	-
Total OPEB liability - TMRS	64,297	-	(22,739)	41,558	-
Total Business-Type Activities	<u>\$ 281,380</u>	<u>\$ 1,394,717</u>	<u>\$ (207,798)</u>	<u>\$ 1,468,299</u>	<u>\$ 197,392</u>
				<u>\$ 1,270,907</u>	
				<u>\$ 456,571</u>	

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Component Unit:					
Direct borrowings/private placement:					
Sales tax revenue bonds	\$ 178,000	\$ -	\$ (178,000)	\$ -	\$ -
Total Component Unit	<u>\$ 178,000</u>	<u>\$ -</u>	<u>\$ (178,000)</u>	<u>\$ -</u>	<u>\$ -</u>

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 annual requirements to amortize notes payable at year end were as follows:

Fiscal Year Ended Sep. 30	<u>Governmental Activities Long-Term Debt</u>		
	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 30,977	\$ 2,872	\$ 33,849
2025	31,907	1,943	33,850
2026	32,864	986	33,850
Total	<u>\$ 95,748</u>	<u>\$ 5,801</u>	<u>\$ 101,549</u>

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Fiscal Year Ended Sep. 30	Business-Type Activities Long-Term Debt		
	Notes Payable		
	Principal	Interest	Total
2024	\$ 182,536	\$ 25,586	\$ 208,122
2025	192,681	15,442	208,123
2026	81,354	4,732	86,086
Total	\$ 456,571	\$ 45,760	\$ 502,331

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

Description	Interest Rates	Balance
Governmental Activities		
Note Payable - Street Sweeper	3.00%	\$ 95,748
Total Governmental Activities Long-Term Debt		\$ 95,748
Business-Type Activities		
Notes Payable:		
Tractor Trailer	5.817%	\$ 230,893
Water Meter System	5.386%	225,678
Total Business-Type Activities Long-Term Debt		\$ 456,571

E. Interfund Transactions

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

Due To	Due From	Amounts
General	Nonmajor Governmental	\$ 79,290
Nonmajor Governmental	General	140,361
Fire Protection	Utility	42,266
Cemetary Trust	Utility	3,981
Nonmajor Governmental	Utility	6,599
	Total	\$ 272,497

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

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

Transfer Out	Transfer In	Amount
Utility	General	\$ 2,141,815

The utility fund subsidizes the general fund with transfers of funds at fiscal year-end to cover operating deficits.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 2,824 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 909 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 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 is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 total 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:

	2023	2022
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 (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, 2022 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	34
Active employees	40
Total	107

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal 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 18.62% and 17.93% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$414,482, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Actuarial Assumptions

The TPL in the December 31, 2022 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. The assumptions 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS' actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 public equity	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real estate	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	100%	

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

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 365,448	\$ -	\$ 365,448
Interest	1,036,622	-	1,036,622
Difference between expected and actual experience	148,349	-	148,349
Contributions - employer	-	403,118	(403,118)
Contributions - employee	-	151,548	(151,548)
Net investment income	-	(1,102,594)	1,102,594
Benefit payments, including refunds of employee contributions	(826,906)	(826,906)	-
Administrative expense	-	(9,549)	9,549
Other changes	-	11,396	(11,396)
Net Changes	723,513	(1,372,987)	2,096,500
Balance at December 31, 2021	15,588,087	15,117,729	470,358
Balance at December 31, 2022	\$ 16,311,600	\$ 13,744,742	\$ 2,566,858

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 4,695,370	\$ 2,566,858	\$ 818,980

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

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

For the fiscal year ended September 30, 2023, the City recognized net pension expense of \$474,497.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 95,743	\$ 54,795
Net difference between projected and actual investment earnings	942,447	-
Contributions subsequent to the measurement date	299,959	-
Total	\$ 1,338,149	\$ 54,795

\$299,959 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2024	\$ 31,103
2025	274,181
2026	253,506
2027	424,605
2028	-
Thereafter	-
Total	\$ 983,395

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 the Texas Emergency Services Retirement System (TESRS) and established and administered by the State (the “State”) to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2022, 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, 2022, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,991
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,813
Active Participants (Vested and Nonvested)	3,379

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. 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 the 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.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 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 near the end of each even-numbered calendar based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2022, 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 measurement year ending August 31, 2022, total contributions (dues, prior service, and interest on prior service financing) of \$76,982 were paid by the City. The State appropriated \$1,262,763 for the measurement year ending August 31, 2022 to the plan as a whole.

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, 2022 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 participating departments in a year) as need in accordance with state

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System's administrative expenses.

Actuarial Assumptions

The TPL in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
 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 4.61%) 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:

Asset Class	Target	Long-Term
Equities		
Large cap domestic	20%	5.83%
Small/mid cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
Multi asset income	5%	3.86%
Real estate	10%	4.48%
Fixed income	30%	1.95%
Total	100%	
Weighted average		4.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

accrued liability (UAAL) 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 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 total pension liability.

Discount Rate Sensitivity Analysis

The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 7.50%, as well as what the City’s NPL would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's proportionate share of the net pension liability	\$ 985,429	\$ 628,170	\$ 338,868

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

At September 30, 2023, the City reported a liability of \$628,170 for its proportionate share of the plan’s net pension liability. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of the collective net pension liability	\$ 628,170
State’s proportionate share that is associated with the City*	163,062
Total	\$ 791,232

**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, 2022. 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, 2022. The City used the assumption that any differences in the NPL measured as of August 31, 2022 versus September 30, 2022 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, 2021 through August 31, 2022.

At September 30, 2023, the City’s proportion of the collective NPL was 1.531%, which was an increase of 0.813% from its proportion measured as of September 30, 2022.

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

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

For the measurement year ended August 31, 2022, the City recognized pension expense of \$132,732. The City recognized on-behalf revenues of \$5,018 calculated by taking the State’s total contributions to TESRS multiplied by the City’s proportionate share.

At September 30, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 231,660	\$ -
Changes in assumptions	-	3,159
Differences between expected and actual economic experience	23,912	-
Contributions paid to TESRS subsequent to the measurement date	32,780	-
Total	\$ 288,352	\$ 3,159

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date in the amount of \$32,780 will be recognized as a reduction to the net pension liability for the year ended September 30, 2024.

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:

Fiscal Year Ended September 30	Pension Expense
2024	\$ 72,832
2025	45,213
2026	47,207
2027	87,161
Total	\$ 252,413

D. Other Postemployment 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 Supplemental Death Benefits Fund (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

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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 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, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to, but not yet receiving, benefits	8
Active employees	40
Total	<u><u>70</u></u>

Total OPEB Liability

The City's total OPEB liability of \$127,785 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 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*	4.05%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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, 2022.

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The actuarial assumptions used in the December 31, 2022 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 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 10,175
Interest	3,497
Difference between expected and actual experience	(4,968)
Changes of assumptions	(64,575)
Benefit payments*	(2,598)
Net Changes	(58,469)
Balance at December 31, 2021	186,254
Balance at December 31, 2022	\$ 127,785

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

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. 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:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 152,495	\$ 127,785	\$ 108,433

CITY OF SCHULENBURG, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

For the year ended September 30, 2023, the City recognized OPEB income of \$155. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,198	\$ 23,858
Changes in actuarial assumptions	17,448	49,897
Contributions subsequent to the measurement date	2,677	-
Total	\$ 22,323	\$ 73,755

\$2,677 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 the fiscal year ending September 30, 2024. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense
2024	\$ (22,225)
2025	(12,346)
2026	(14,540)
2027	(4,998)
Total	\$ (54,109)

E. Subsequent Events

On November 6, 2023, the SEDC approved a loan of \$100,000 to Bartos Investments, LLC which will be utilized for capital expenditures. The business resides within the City limits and the loan was provided to encourage economic activity within the City. The SEDC will report the loan as a loan receivable in fiscal year 2024.

On March 8, 2024, the City entered into a note payable for the purchase of a sanitation truck. The first payment is due March 25, 2025 and has a five year term with an interest rate of 5.975%.

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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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 701,500	\$ 701,500	\$ 686,922	\$ (14,578)
Sales taxes	1,450,000	1,450,000	960,790	(489,210)
Franchise fees	65,000	65,000	57,519	(7,481)
Fines and court costs	165,030	165,030	211,829	46,799
Licenses and permits	55,000	55,000	49,689	(5,311)
Charges for services	24,700	24,700	37,472	12,772
Intergovernmental	-	-	961,872	961,872
Interest earnings	5,100	5,100	76,358	71,258
Miscellaneous	395,800	395,800	115,715	(280,085)
Total Revenues	<u>2,862,130</u>	<u>2,862,130</u>	<u>3,158,166</u>	<u>296,036</u>
<u>Expenditures</u>				
Current:				
General government:				
Governing body	317,900	282,900	289,239	(6,339) *
Office management	418,600	503,800	529,836	(26,036) *
Public safety:				
Fire department	178,100	174,600	993,999	(819,399) *
Police department	1,385,250	1,326,552	1,322,082	4,470
Municipal court	79,350	66,050	46,626	19,424
Parks, recreation, and culture:				
Sports complex	163,700	230,198	164,470	65,728
Parks and recreation	163,800	163,800	225,748	(61,948) *
Swimming pool	32,500	34,500	33,736	764
Library	302,635	302,635	307,856	(5,221) *
Civic center	128,820	85,620	26,519	59,101
City cemetery	82,900	82,900	75,719	7,181
Public works:				
Street department	1,192,000	1,192,000	1,120,296	71,704
Blinn College	451,000	451,000	1,506	449,494
Debt service:				
Interest	2,278	2,278	6,051	(3,773) *
Principal	118,000	118,000	148,076	(30,076) *
Total Expenditures	<u>5,016,833</u>	<u>5,016,833</u>	<u>5,291,759</u>	<u>(274,926)</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(2,154,703)</u>	<u>(2,154,703)</u>	<u>(2,133,593)</u>	<u>21,110</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ -	\$ -	\$ 2,141,815	\$ 2,141,815
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>2,141,815</u>	<u>2,141,815</u>
Net Change in Fund Balance	<u><u>\$ (2,154,703)</u></u>	<u><u>\$ (2,154,703)</u></u>	8,222	<u><u>\$ 2,162,925</u></u>
Beginning fund balance			<u>-</u>	
Ending Fund Balance			<u><u>\$ 8,222</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, 2023

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
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)
Net Change in Total Pension Liability	<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>
Ending Total Pension Liability	<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>
Plan Fiduciary Net Position				
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)
Change in Plan Fiduciary Net Position	<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>
Ending Plan Fiduciary Net Position	<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>
Net Pension Liability	<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>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.55%	79.09%	78.72%	86.06%
Covered Payroll	\$ 1,683,601	\$ 1,498,327	\$ 1,647,946	\$ 1,707,873
Net Pension Liability as a Percentage of Covered Payroll	121.78%	179.59%	174.49%	113.98%

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

Measurement Year *				
2018	2019	2020	2021	2022
\$ 301,501	\$ 322,030	\$ 323,435	\$ 328,693	\$ 365,448
928,211	957,010	988,431	1,001,493	1,036,622
(61,600)	(71,786)	(274,576)	(5,189)	148,349
-	86,737	-	-	-
(718,886)	(784,559)	(873,826)	(818,993)	(826,906)
449,226	509,432	163,464	506,004	723,513
13,959,961	14,409,187	14,918,619	15,082,083	15,588,087
<u>\$ 14,409,187</u>	<u>\$ 14,918,619</u>	<u>\$ 15,082,083</u>	<u>\$ 15,588,087</u>	<u>\$ 16,311,600</u>
\$ 395,138	\$ 407,625	\$ 420,935	\$ 405,867	\$ 403,118
125,327	133,149	137,049	139,954	151,548
(359,796)	1,769,297	983,386	1,775,145	(1,102,594)
(718,886)	(784,559)	(873,826)	(818,993)	(826,906)
(6,955)	(10,000)	(6,367)	(8,218)	(9,549)
(363)	(301)	(248)	57	11,396
(565,535)	1,515,211	660,929	1,493,812	(1,372,987)
12,013,312	11,447,777	12,962,988	13,623,917	15,117,729
<u>\$ 11,447,777</u>	<u>\$ 12,962,988</u>	<u>\$ 13,623,917</u>	<u>\$ 15,117,729</u>	<u>\$ 13,744,742</u>
<u>\$ 2,961,410</u>	<u>\$ 1,955,631</u>	<u>\$ 1,458,166</u>	<u>\$ 470,358</u>	<u>\$ 2,566,858</u>
79.45%	86.89%	90.33%	96.98%	84.26%
\$ 1,790,388	\$ 1,902,124	\$ 1,957,841	\$ 1,999,348	\$ 2,164,976
165.41%	102.81%	74.48%	23.53%	118.56%

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, 2023

	Measurement Year*			
	2014	2015	2016	2017
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
Total	\$ 375,665	\$ 579,173	\$ 657,585	\$ 532,084
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 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.

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.

Measurement Year*

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1.049%	1.264%	1.060%	0.718%	1.531%
\$ 227,113	\$ 358,288	\$ 267,235	\$ 76,928	\$ 628,170
63,032	106,278	76,181	21,298	163,062
<u>\$ 290,145</u>	<u>\$ 464,566</u>	<u>\$ 343,416</u>	<u>\$ 98,225</u>	<u>\$ 791,232</u>
35	35	34	34	34
\$ 6,489	\$ 10,237	\$ 7,860	\$ 2,263	\$ 18,476
84.26%	80.20%	83.20%	93.10%	93.10%

CITY OF SCHULENBURG, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2023

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

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	23 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.

Fiscal Year

2018	2019	2020	2021	2022	2023
\$ 388,897	\$ 405,386	\$ 407,999	\$ 404,284	\$ 402,811	\$ 414,482
388,897	405,386	407,999	404,284	402,811	414,482
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<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>	<u>\$ 2,288,001</u>
22.18%	21.58%	21.48%	20.62%	19.07%	18.12%

CITY OF SCHULENBURG, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2023

	Fiscal Year			
	2014	2015	2016	2017
Contractually required contribution	\$ 70,312	\$ 76,109	\$ 70,000	\$ 70,100
Contributions in relation to the 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

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

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 69,688	\$ 64,534	\$ 50,883	\$ 35,880	\$ 36,328	\$ 32,780
69,688	64,534	50,883	35,880	36,328	32,780
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
35	35	35	34	33	33
\$ 1,991	\$ 1,844	\$ 1,454	\$ 1,055	\$ 1,101	\$ 993

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, 2023

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
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)
Net Change in Total OPEB Liability	<u>17,432</u>	<u>62,412</u>	<u>(49,130)</u>	<u>23,387</u>
Beginning total OPEB liability	117,265	134,697	197,109	147,979
Ending Total OPEB Liability	<u>\$ 134,697</u>	<u>\$ 197,109</u>	<u>\$ 147,979</u>	<u>\$ 171,366</u>
Covered Employee Payroll	\$ 1,707,873	\$ 1,790,388	\$ 1,902,124	\$ 1,957,841
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.89%	11.01%	7.78%	8.75%

* Only six years of information is currently available. The City will build this schedule over the next four-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	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% 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, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

There were no benefit changes during the year.

Measurement Year*	
2021	2022
\$ 8,797	\$ 10,175
3,483	3,497
35	(4,968)
5,772	(64,575)
(3,199)	(2,598)
14,888	(58,469)
171,366	186,254
\$ 186,254	\$ 127,785
\$ 1,999,348	\$ 2,164,976
9.32%	5.90%

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COMBINING STATEMENTS

CITY OF SCHULENBURG, TEXAS

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

September 30, 2023

	Industrial Development Escrow	Hotel/Motel Occupancy Tax	Grant	Court Technology
<u>Assets</u>				
Cash and cash equivalents	\$ 617,997	\$ 391,989	\$ 5,669	\$ 4,505
Receivables, net	-	49,647	-	-
Loans receivable	54,892	-	-	-
Due from other funds	6,599	-	-	40,397
Total Assets	\$ 679,488	\$ 441,636	\$ 5,669	\$ 44,902
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 577	\$ -	\$ -
Due to other funds	52,577	-	-	4,505
Total Liabilities	52,577	577	-	4,505
<u>Fund Balances</u>				
Restricted for:				
Industrial development	626,911	-	-	-
Enabling legislation	-	441,059	-	40,397
Grant activities	-	-	5,669	-
Total Fund Balances	626,911	441,059	5,669	40,397
Total Liabilities and Fund Balances	\$ 679,488	\$ 441,636	\$ 5,669	\$ 44,902

Child Safety	Court Security	Total Nonmajor Governmental Funds
\$ 843	\$ -	\$ 1,021,003
-	-	49,647
-	-	54,892
<u>73,275</u>	<u>26,689</u>	<u>146,960</u>
<u>\$ 74,118</u>	<u>\$ 26,689</u>	<u>\$ 1,272,502</u>
\$ -	\$ -	\$ 577
22,208	-	79,290
<u>22,208</u>	<u>-</u>	<u>79,867</u>
-	-	626,911
51,910	26,689	560,055
-	-	5,669
<u>51,910</u>	<u>26,689</u>	<u>1,192,635</u>
<u>\$ 74,118</u>	<u>\$ 26,689</u>	<u>\$ 1,272,502</u>

CITY OF SCHULENBURG, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	<u>Industrial Development Escrow</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Grant</u>	<u>Court Technology</u>
Revenues				
Hotel occupancy tax	\$ -	\$ 238,302	\$ -	\$ -
Grant revenue	-	107	-	-
Interest earnings	27,140	-	-	-
Court technology	-	-	-	164
Child safety	-	-	-	-
Court security	-	-	-	-
Miscellaneous	2,145	-	-	-
Total Revenues	<u>29,285</u>	<u>238,409</u>	<u>-</u>	<u>164</u>
Expenditures				
Public works:				
Industrial development	1,800	-	-	-
Tourism	-	202,134	-	-
Total Expenditures	<u>1,800</u>	<u>202,134</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	27,485	36,275	-	164
Beginning fund balances	<u>599,426</u>	<u>404,784</u>	<u>5,669</u>	<u>40,233</u>
Ending Fund Balances	<u>\$ 626,911</u>	<u>\$ 441,059</u>	<u>\$ 5,669</u>	<u>\$ 40,397</u>

Child Safety	Court Security	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 238,302
-	-	107
-	-	27,140
-	-	164
6,675	-	6,675
-	195	195
-	-	2,145
<u>6,675</u>	<u>195</u>	<u>274,728</u>
-	-	1,800
-	-	202,134
-	-	203,934
6,675	195	70,794
<u>45,235</u>	<u>26,494</u>	<u>1,121,841</u>
<u>\$ 51,910</u>	<u>\$ 26,689</u>	<u>\$ 1,192,635</u>

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

For the Year Ended September 30, 2023

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>
<u>Operating Revenues</u>				
Charges for services	\$ 9,023,704	\$ 937,820	\$ 783,882	\$ 1,320,479
Penalties and interest	62,075	20,678	7,513	7,597
Licenses and permits	300	550	-	-
Other revenue	93,622	21,801	50	-
Total Operating Revenues	9,179,701	980,849	791,445	1,328,076
<u>Operating Expenses</u>				
Payroll costs	323,083	256,589	306,713	449,725
Professional services	70,452	116,355	50,033	679
Contracted services	4,618,964	86,165	45,944	33,093
Supplies and materials	436,925	589,776	190,156	176,190
Recurring operating expense	94,484	90,236	214,276	490,589
Depreciation expense	142,941	274,164	233,181	14,874
Miscellaneous expense	16,757	-	-	-
Total Operating Expenses	5,703,606	1,413,285	1,040,303	1,165,150
Operating Income (Loss)	3,476,095	(432,436)	(248,858)	162,926
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	173,364	-	-	4,651
Interest and fiscal agent fees	(4,662)	-	(14,456)	-
Total Nonoperating Revenues (Expenses)	168,702	-	(14,456)	4,651
Income (Loss) Before Contributions and Transfers	3,644,797	(432,436)	(263,314)	167,577
<u>Contributions and Transfers</u>				
Capital contributions	-	-	-	34,085
Transfers (out)	(2,141,815)	-	-	-
Change in Net Position	1,502,982	(432,436)	(263,314)	201,662
Beginning net position	20,138,776	2,218,431	(9,596,595)	1,282,857
Ending Net Position	\$ 21,641,758	\$ 1,785,995	\$ (9,859,909)	\$ 1,484,519

<u>Warehouse Department</u>	<u>Total Proprietary Funds</u>
\$ -	\$ 12,065,885
-	97,863
-	850
-	115,473
<u>-</u>	<u>12,280,071</u>
134,649	1,470,759
-	237,519
41,937	4,826,103
63,882	1,456,929
25,790	915,375
47,917	713,077
-	16,757
<u>314,175</u>	<u>9,636,519</u>
<u>(314,175)</u>	<u>2,643,552</u>
-	178,015
-	(19,118)
<u>-</u>	<u>158,897</u>
<u>(314,175)</u>	<u>2,802,449</u>
-	34,085
<u>-</u>	<u>(2,141,815)</u>
(314,175)	694,719
<u>404,927</u>	<u>14,448,396</u>
<u>\$ 90,752</u>	<u>\$ 15,143,115</u>

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