

**CITY OF SCHULENBURG, TEXAS**

**ANNUAL FINANCIAL REPORT**

For the year ended September 30, 2025

CITY OF SCHULENBURG, TEXAS  
 ANNUAL FINANCIAL REPORT  
 For the year ended September 30, 2025

CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information) .....	4

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Position .....	11
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities .....	18
Proprietary Fund Financial Statements	
Statement of Net Position - Proprietary Fund .....	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund .....	21
Statement of Cash Flows - Proprietary Fund.....	22
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position - Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	25
Notes to Financial Statements.....	26

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	56
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System (TMRS) .....	58
Schedule of the City’s Proportionate Share of the Net Pension Liability – Texas Emergency Services Retirement System (TESRS) .....	59
Schedule of Contributions – Texas Municipal Retirement System (TMRS).....	60
Schedule of Contributions – Texas Emergency Services Retirement System (TESRS).....	61
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios – Texas Municipal Retirement System – Supplemental Death Benefits Fund (TMRS SDBF) .....	62

CITY OF SCHULENBURG, TEXAS  
ANNUAL FINANCIAL REPORT  
For the year ended September 30, 2025

CONTENTS

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds .....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	66
Consolidated Statement of Revenues, Expenses, and Changes in Fund Net Position – Utility Fund – Sub-Funds .....	68

## INDEPENDENT AUDITOR'S 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 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's 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.

#### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board Statement No. 101, Compensated Absences. This resulted in a restatement of beginning net position of \$430,762 for Governmental Activities and \$117,383 for Business Type Activities. Our opinion is not modified with respect to this matter.

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

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

---

(Continued)

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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, schedules of changes in net pension and total other postemployment benefit liability and related ratios, schedule of contributions, and the schedule of the City's proportionate share of the net pension liability, identified as Required Supplementary Information on pages 4 through 10 and 55 through 62 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.

---

(Continued)

**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 and other sub-fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly slanted style.

Crowe LLP

Houston, Texas  
March 25, 2026

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



CITY OF SCHULENBURG, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

---

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 government'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.

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.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

---

Proprietary Fund: 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 trust 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) liabilities 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 \$22,287,092 as of year end. The largest portion of the City's net position (84%) 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.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
<b>ASSETS</b>						
Current and other assets	\$ 1,371,377	\$ 1,452,103	\$ 6,813,056	\$ 7,219,905	\$ 8,184,433	\$ 8,672,008
Capital assets, net	8,075,147	6,999,109	12,730,831	12,066,042	20,805,978	19,065,151
Total assets	<u>9,446,524</u>	<u>8,451,212</u>	<u>19,543,887</u>	<u>19,285,947</u>	<u>28,990,411</u>	<u>27,737,159</u>
<b>DEFERRED OUTFLOWS ON RESOURCES</b>						
Deferred outflow s - pensions	1,108,709	801,319	241,431	338,577	1,350,140	1,139,896
Deferred outflow s - OPEB	8,824	11,321	3,937	5,617	12,761	16,938
Total deferred outflow s on resources	<u>1,117,533</u>	<u>812,640</u>	<u>245,368</u>	<u>344,194</u>	<u>1,362,901</u>	<u>1,156,834</u>
<b>LIABILITIES</b>						
Long-term liabilities	4,671,335	2,219,028	1,155,349	1,393,149	5,826,684	3,612,177
Other liabilities	297,763	227,688	1,703,995	2,056,871	2,001,758	2,284,559
Total liabilities	<u>4,969,098</u>	<u>2,446,716</u>	<u>2,859,344</u>	<u>3,450,020</u>	<u>7,828,442</u>	<u>5,896,736</u>
<b>DEFERRED INFLOWS ON RESOURCES</b>						
Deferred inflow s - pensions	125,709	72,164	84,597	45,920	210,306	118,084
Deferred inflow s - OPEB	18,020	25,109	9,452	14,222	27,472	39,331
Total deferred inflow s on resources	<u>143,729</u>	<u>97,273</u>	<u>94,049</u>	<u>60,142</u>	<u>237,778</u>	<u>157,415</u>
<b>NET POSITION</b>						
Net investment in capital assets	6,453,358	6,784,668	12,256,784	12,066,042	18,710,142	18,850,710
Restricted	1,231,964	1,203,367	-	-	1,231,964	1,203,367
Unrestricted	<u>(2,234,092)</u>	<u>(1,268,172)</u>	<u>4,579,078</u>	<u>4,053,937</u>	<u>2,344,986</u>	<u>2,785,765</u>
Total net position	<u>\$ 5,451,230</u>	<u>\$ 6,719,863</u>	<u>\$ 16,835,862</u>	<u>\$ 16,119,979</u>	<u>\$ 22,287,092</u>	<u>\$ 22,839,842</u>

A portion of the primary government's net position, \$1,231,964, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$2,344,986, may be used to meet the City's ongoing obligation to citizens and creditors.

The overall condition of the City decreased \$552,750 during the year. Total assets are \$28,990,411, an increase of \$1,253,252 compared to prior year. The increase in total assets is primarily due to an increase in capital assets within business-type activities for capital additions associated with the City's utility system improvement projects. The total liabilities are \$7,828,442, an increase of \$1,931,706 compared to prior year due to the net result of an increase in long-term liabilities of \$2,214,507 due primarily to the issuance of a new notes payable to fund the civic center renovations project of \$1,300,000, an increase in pension liability and a decrease in other liabilities of \$282,801 due mainly to a decrease in accounts payable from construction costs within business-type activities. Deferred outflows of resources increased by \$206,067 compared to prior year due primarily to an increase in deferred outflows related to the City's pension plan from the net difference between projected and actual earnings. Deferred inflows increased by \$80,363 compared to prior year due primarily to an increase in deferred inflows related to the City's pension plan for change in actuarial assumptions.

(Continued)

CITY OF SCHULENBURG, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

**Statement of Activities**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 296,333	\$ 187,807	\$ 12,815,625	\$ 11,700,317	\$ 13,111,958	\$ 11,888,124
Operating grants and contributions	149,552	144,706	215,445	346,140	364,997	490,846
Capital grants and contributions	70,836	299,025	-	-	70,836	299,025
General revenues						
Property taxes	747,823	743,980	-	-	747,823	743,980
Sales taxes	920,312	898,364	-	-	920,312	898,364
Hotel taxes	235,638	187,790	-	-	235,638	187,790
Franchise fees	50,782	50,553	-	-	50,782	50,553
Investment income	131,519	106,280	208,069	215,151	339,588	321,431
Other revenue	77,765	164,203	767,141	76,209	844,906	240,412
Total revenues	<u>2,680,560</u>	<u>2,782,708</u>	<u>14,006,280</u>	<u>12,337,817</u>	<u>16,686,840</u>	<u>15,120,525</u>
<b>Expenses</b>						
General government	1,069,413	967,735	-	-	1,069,413	967,735
Public safety	2,370,158	1,809,186	-	-	2,370,158	1,809,186
Parks, recreation, and culture	1,232,411	1,004,875	-	-	1,232,411	1,004,875
Public works	1,560,690	1,367,510	-	-	1,560,690	1,367,510
Interest and fees on long-term debt	72,847	2,873	41,439	56,553	114,286	59,426
Utilities	-	-	10,344,487	9,163,430	10,344,487	9,163,430
Total expenses	<u>6,305,519</u>	<u>5,152,179</u>	<u>10,385,926</u>	<u>9,219,983</u>	<u>16,691,445</u>	<u>14,372,162</u>
<b>Increase (decrease) in net position before transfers</b>	(3,624,959)	(2,369,471)	3,620,354	3,117,834	(4,605)	748,363
Transfers in (out)	<u>2,787,088</u>	<u>2,140,970</u>	<u>(2,787,088)</u>	<u>(2,140,970)</u>	-	-
<b>Change in net position</b>	(837,871)	(228,501)	833,266	976,864	(4,605)	748,363
Net position - Beginning as reported on September 30, 2024	6,719,863	6,948,364	16,119,979	15,143,115	22,839,842	22,091,479
Restatement - GASB 101 Implementation	<u>(430,762)</u>		<u>(117,383)</u>		<u>(548,145)</u>	
Net position - Beginning as restated on September 30, 2024	<u>6,289,101</u>		<u>16,002,596</u>		<u>22,291,697</u>	
<b>Ending net position</b>	<u>\$ 5,451,230</u>	<u>\$ 6,719,863</u>	<u>\$ 16,835,862</u>	<u>\$ 16,119,979</u>	<u>\$ 22,287,092</u>	<u>\$ 22,839,842</u>

For the year, revenues from governmental activities totaled \$2,680,560, a decrease of \$102,148 compared to the prior year which is the net result of an increase in general revenues of \$12,669 and decrease in program revenues of \$114,817. The decrease in program revenues include an increase in charges for services of \$108,526 due primarily to a increase in revenue from municipal court, increase in operating grants and contributions of \$4,846 from a increase in operating grants related to public safety, and a decrease in capital grants and contributions of \$228,189 from an decrease in capital contributions from the City's economic development corporation for street improvements.

(Continued)

CITY OF SCHULENBURG, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

---

Governmental expenses totaled \$6,305,519, an increase of \$1,153,340 compared to the prior year which is the net result of a increase in public safety expenses of \$560,972, increase in interest and fees on long-term debt of \$69,974 and an increase in total expenses for general government, public works, and parks, recreation, and culture of \$522,394. The increase in public safety expenses is mainly due to an increase in personnel costs and the increase in interest and fees on long-term debt is due to additional financing notes in the current year. The increase in expenses from general government, public works, and parks, recreation, and culture are primarily due to an increase in personnel and maintenance costs.

Revenues from business-type activities totaled \$14,006,280, an increase of \$1,668,463 from prior year which is primarily due to the net result of an increase in charges for services of \$1,115,308 from more customer usage of utility services and an decrease in grants and contributions of \$130,695 to fund operational development. Expenses increased by \$1,165,943 from the prior year mainly due to an increase in wholesale electricity costs from more utility usage.

### **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.

There was an decrease in the combined fund balance of \$145,683 from the prior year. The City's governmental funds reflect a combined fund balance of \$1,014,984, of which \$662,948 is restricted for industrial development, \$533,273 is restricted for enabling legislation, \$5,669 is restricted for grant activities.

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 \$(186,906). The general fund's revenue decreased by \$756,514 from the prior year mainly due to a decrease in revenues from fines and court costs of \$96,171 due to less revenue from citation fines and a decrease in intergovernmental revenue of \$741,484 from a decrease in grant revenue related to the fire departments operations. The general fund expenditures increased by \$2,059,054 compared to the prior year which is primarily due to the an increase in expenditures for capital outlay and repairs on damaged streets within the street department and renovations of the civic center of \$1,599,066 along with an increase in expenditures for the general government personnel costs for office management of \$177,696.

**Proprietary Funds** – The City's proprietary fund financial statements 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 \$4,713,265. The budgeted revenues exceeded the actual general fund revenues by \$718,985 during the year which is primarily due to the net result of less sales tax revenue of \$554,688 and more intergovernmental revenue of \$20,388 than expected. The budgeted general fund expenditures exceeded the actual general fund expenditures by \$976,217 which is the net result of positive and negative variances across the City's Departments. There was an overall decrease in fund balance for the general fund of \$192,917 which includes a transfer in from the utility fund of \$2,787,088 and budgeted other sources from note proceeds of \$1,476,028.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

---

## **CAPITAL ASSETS**

At the end of the year, the City's governmental and business-type activities had invested \$20,805,978 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$1,740,827 from prior year which includes an increase from capital additions of \$3,456,378 and total depreciation expense of \$1,715,551.

Major capital asset events during the year included the following:

- Construction in progress for street drainage of \$600,393
- Waterline improvements and generators for utility service operations of \$1,096,179
- Machinery and equipment for utility service operations of \$453,234
- College Street improvements of \$304,709
- Vehicles for public works of \$314,407

More detailed information on the City's capital assets can be found in Note 3 to the financial statements.

## **LONG-TERM DEBT**

At the end of the current year, the City had total notes payable outstanding of \$2,095,836 from the purchase of vehicles and equipment renovation costs on the Civic Center. This compared to a notes payable balance in the prior year of \$850,971.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

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

The property tax rate for fiscal year ended September 30, 2026 was approved at \$0.2455 per \$100 of assessed property value.

The projected revenue for the 2025-2026 fiscal year in the general fund is \$3,631,499. The projected expenditures for the general fund are \$6,885,644. The City plans to subsidize the general fund deficit with revenues from the utility funds. The projected revenue in the utility funds is \$14,251,757. The projected expenses for the utility funds are \$12,647,033.

## **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.

## **BASIC FINANCIAL STATEMENTS**

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF NET POSITION  
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	SEDC
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 805,696	\$ 3,350,770	\$ 4,156,466	\$ 982,306
Investments	-	1,144,862	1,144,862	148,671
Restricted cash and cash equivalents	-	271,330	271,330	-
Receivables, net of allowances	237,065	1,669,871	1,906,936	82,498
Internal balances	298,542	(298,542)	-	-
Inventory	-	440,853	440,853	-
Prepaid items	-	230,893	230,893	-
Other assets	-	3,019	3,019	-
Industrial loans receivable	13,075	-	13,075	64,611
Noncurrent assets				
Industrial loans receivable	16,999	-	16,999	617,557
Capital assets				
Nondepreciable capital assets	736,799	707,332	1,444,131	-
Depreciable capital assets, net	7,338,348	12,023,499	19,361,847	-
Total assets	<u>9,446,524</u>	<u>19,543,887</u>	<u>28,990,411</u>	<u>1,895,643</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pensions (TMRS)	419,681	241,431	661,112	-
Deferred outflows of resources - pensions (TESRS)	689,028	-	689,028	-
Deferred outflows of resources - OPEB (TMRS)	8,824	3,937	12,761	-
Total deferred outflows of resources	<u>1,117,533</u>	<u>245,368</u>	<u>1,362,901</u>	<u>-</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF NET POSITION  
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	SEDC
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 285,946	\$ 598,203	\$ 884,149	\$ -
Customer deposits	-	271,330	271,330	-
Unearned revenue	11,817	722,514	734,331	-
Due to state	-	65,701	65,701	-
Due to fiduciary fund	-	46,247	46,247	-
Noncurrent liabilities				
Due within one year	776,196	297,389	1,073,585	-
Due in more than one year	3,895,139	857,960	4,753,099	-
Total liabilities	<u>4,969,098</u>	<u>2,859,344</u>	<u>7,828,442</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources -				
pensions (TMRS)	125,709	84,597	210,306	-
Deferred inflows of resources -				
OPEB (TMRS)	<u>18,020</u>	<u>9,452</u>	<u>27,472</u>	<u>-</u>
Total deferred inflows of resources	<u>143,729</u>	<u>94,049</u>	<u>237,778</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,453,358	12,256,784	18,710,142	-
Restricted for				
Economic development	-	-	-	1,895,643
Industrial development	693,022	-	693,022	-
Enabling legislation	533,273	-	533,273	-
Grant activities	5,669	-	5,669	-
Unrestricted	<u>(2,234,092)</u>	<u>4,579,078</u>	<u>2,344,986</u>	<u>-</u>
Total net position	<u>\$ 5,451,230</u>	<u>\$ 16,835,862</u>	<u>\$ 22,287,092</u>	<u>\$ 1,895,643</u>

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Government Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
Governmental activities								
General government	\$ 1,069,413	\$ 142,278	\$ -	\$ -	\$ (927,135)	\$ -	\$ (927,135)	\$ -
Public safety	2,370,158	132,021	71,745	-	(2,166,392)	-	(2,166,392)	-
Parks, recreation, and culture	1,232,411	3,453	29,795	70,836	(1,128,327)	-	(1,128,327)	-
Public works	1,560,690	18,581	48,012	-	(1,494,097)	-	(1,494,097)	-
Interest and fees on long-term debt	72,847	-	-	-	(72,847)	-	(72,847)	-
Total governmental activities	<u>6,305,519</u>	<u>296,333</u>	<u>149,552</u>	<u>70,836</u>	<u>(5,788,798)</u>	<u>-</u>	<u>(5,788,798)</u>	<u>-</u>
Business-type activities								
Utilities	10,344,487	12,815,625	215,445	-	-	2,686,583	2,686,583	-
Interest and fees on long-term debt	41,439	-	-	-	-	(41,439)	(41,439)	-
Total business-type activities	<u>10,385,926</u>	<u>12,815,625</u>	<u>215,445</u>	<u>-</u>	<u>-</u>	<u>2,645,144</u>	<u>2,645,144</u>	<u>-</u>
Total primary government	<u>\$ 16,691,445</u>	<u>\$ 13,111,958</u>	<u>\$ 364,997</u>	<u>\$ 70,836</u>	<u>(5,788,798)</u>	<u>2,645,144</u>	<u>(3,143,654)</u>	<u>-</u>
<b>Component Units</b>								
Economic development	\$ 239,985	\$ -	\$ -	\$ -	-	-	-	(239,985)
Total component units	<u>\$ 239,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(239,985)</u>
General revenues								
Property taxes					747,823	-	747,823	-
Sales taxes					920,312	-	920,312	439,978
Hotel taxes					235,638	-	235,638	-
Franchise fees					50,782	-	50,782	-
Investment income					131,519	208,069	339,588	31,968
Other revenues					77,765	767,141	844,906	-
Transfers					2,787,088	(2,787,088)	-	-
Total general revenues and transfers					<u>4,950,927</u>	<u>(1,811,878)</u>	<u>3,139,049</u>	<u>471,946</u>
Change in net position					(837,871)	833,266	(4,605)	231,961
Net position - Beginning as reported					6,719,863	16,119,979	22,839,842	1,663,682
Restatement - GASB 101 Implementation					(430,762)	(117,383)	(548,145)	-
Net position - Beginning as restated					<u>6,289,101</u>	<u>16,002,596</u>	<u>22,291,697</u>	<u>1,663,682</u>
Ending net position					<u>\$ 5,451,230</u>	<u>\$ 16,835,862</u>	<u>\$ 22,287,092</u>	<u>\$ 1,895,643</u>

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2025

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,400	\$ 804,296	\$ 805,696
Receivables, net	184,142	52,923	237,065
Loans receivable	-	30,074	30,074
Due from other funds	-	422,845	422,845
Total assets	<u>\$ 185,542</u>	<u>\$ 1,310,138</u>	<u>\$ 1,495,680</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 264,854	\$ 21,092	\$ 285,946
Due to other funds	67,221	57,082	124,303
Unearned revenue	11,817	-	11,817
Total liabilities	<u>343,892</u>	<u>78,174</u>	<u>422,066</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	28,556	-	28,556
Unavailable revenue - industrial loans	-	30,074	30,074
Total deferred inflows of resources	<u>28,556</u>	<u>30,074</u>	<u>58,630</u>
<b>FUND BALANCES</b>			
Restricted			
Industrial development	-	662,948	662,948
Enabling legislation	-	533,273	533,273
Grant activities	-	5,669	5,669
Unrestricted	(186,906)	-	(186,906)
Total fund balances (deficits)	<u>(186,906)</u>	<u>1,201,890</u>	<u>1,014,984</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 185,542</u>	<u>\$ 1,310,138</u>	<u>\$ 1,495,680</u>

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2025

Total fund balances for governmental funds \$ 1,014,984

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

Capital assets used in governmental activities are not financial resources are not reported in the funds.

Capital assets - nondepreciable	736,799
Capital assets - depreciable	7,338,348

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	(921,836)
Net pension liability - TESRS	(1,479,625)
Total OPEB liability - TMRS	(98,255)
Deferred outflows - pensions (TMRS)	419,681
Deferred outflows - pensions (TESRS)	689,028
Deferred outflows - OPEB (TMRS)	8,824
Deferred inflows - pensions (TMRS)	(125,709)
Deferred inflows - OPEB (TMRS)	(18,020)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	58,630
--	--------

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

Noncurrent liabilities due in one year	(776,196)
Noncurrent liabilities due in more than one year	<u>(1,395,423)</u>

Net position of governmental activities	<u>\$ 5,451,230</u>
---	---------------------

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the year ended September 30, 2025

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 740,315	\$ -	\$ 740,315
Sales taxes	920,312	-	920,312
Hotel/motel occupancy taxes	-	235,638	235,638
Franchise fees	50,782	-	50,782
Fines and court costs	115,658	-	115,658
Licenses and permits	140,923	-	140,923
Charges for services	35,813	-	35,813
Intergovernmental	220,388	-	220,388
Interest earnings	100,989	30,530	131,519
Court technology	-	142	142
Child safety	-	3,690	3,690
Court security	-	107	107
Miscellaneous	76,472	13,919	90,391
Total revenues	<u>2,401,652</u>	<u>284,026</u>	<u>2,685,678</u>
<b>Expenditures</b>			
Current			
General government			
Governing body	310,843	-	310,843
Office management	707,532	-	707,532
Public safety			
Fire department	190,239	-	190,239
Police department	1,600,382	-	1,600,382
Municipal court	88,221	-	88,221
Parks, recreation, and culture			
Sports complex	292,416	-	292,416
Parks and recreation	163,406	-	163,406
Swimming pool	12,024	-	12,024
Library	333,121	-	333,121
Civic center	188,064	-	188,064
City cemetery	108,047	-	108,047
Public works			
Street department	795,371	-	795,371
Industrial development	-	1,200	1,200
Tourism	-	235,592	235,592
Blinn College	2,501	-	2,501
Capital outlay	1,923,991	-	1,923,991
Debt service			
Principal	68,680	-	68,680
Interest	38,847	-	38,847
Issuance costs	34,000	-	34,000
Total expenditures	<u>6,857,685</u>	<u>236,792</u>	<u>7,094,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,456,033)</u>	<u>47,234</u>	<u>(4,408,799)</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 For the year ended September 30, 2025

---

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>			
Transfers in	\$ 2,787,088	\$ -	\$ 2,787,088
Proceeds from note	1,476,028	-	1,476,028
Total other financing sources (uses)	<u>4,263,116</u>	<u>-</u>	<u>4,263,116</u>
 Net change in fund balance	 (192,917)	 47,234	 (145,683)
 Beginning fund balance	 <u>6,011</u>	 <u>1,154,656</u>	 <u>1,160,667</u>
 Ending fund balance (deficit)	 <u>\$ (186,906)</u>	 <u>\$ 1,201,890</u>	 <u>\$ 1,014,984</u>

---

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2025

Net changes in fund balances - total governmental funds \$ (145,683)

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	1,923,991
Depreciation	(847,953)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable revenue - property tax	7,508
Unavailable revenue - industrial loans	(12,626)

The issuance of long-term debt (e.g., debt issuance from note payables) 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 they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In addition, pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.

Principal payments on notes payable	68,680
Debt issuance	(1,476,028)
Deferred outflows - pensions (TMRS)	(144,356)
Deferred outflows - pensions (TESRS)	451,746
Deferred outflows - OPEB (TMRS)	(2,497)
Deferred inflows - pensions (TMRS)	(54,808)
Deferred inflows - pensions (TESRS)	1,263
Deferred inflows - OPEB (TMRS)	7,089
Net pension liability (TMRS)	277,366
Net pension liability (TESRS)	(824,691)
Total OPEB liability (SDBF)	(2,586)
On-behalf revenue - TESRS	4,465
On-behalf expense - TESRS	(4,465)
Change in compensated absences	<u>(64,286)</u>

Change in net position of governmental activities	<u><u>\$ (837,871)</u></u>
---	----------------------------

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2025

---

	Business-Type Activities <u>Utility</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,350,770
Investments	1,144,862
Restricted cash and cash equivalents	271,330
Receivables, net	1,669,871
Inventory	440,853
Prepaid items	230,893
Other assets	3,019
Total assets	7,111,598
Noncurrent assets	
Capital assets	
Nondepreciable	707,332
Depreciable capital assets	33,309,095
Less: accumulated depreciation	(21,285,596)
Total noncurrent assets	12,730,831
Total assets	19,842,429
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (TMRS)	241,431
Deferred outflows of resources - OPEB (TMRS)	3,937
Total deferred outflows of resources	245,368

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2025

---

	Business-Type Activities <u>Utility</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 598,203
Unearned revenue	722,514
Customer deposits	271,330
Due to state	65,701
Due to fiduciary	46,247
Due to other funds	298,542
Total current liabilities	<u>2,002,537</u>
Noncurrent liabilities	
Long-term debt due within one year	297,389
Long-term debt due more than one year	857,960
Total noncurrent liabilities	<u>1,155,349</u>
Total liabilities	<u>3,157,886</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (TMRS)	84,597
Deferred inflows of resources - OPEB (TMRS)	9,452
Total deferred inflows of resources	<u>94,049</u>
 <b>NET POSITION</b>	
Net investment in capital assets	12,256,784
Unrestricted	4,579,078
Total net position	<u>\$ 16,835,862</u>

---

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
For the year ended September 30, 2025

	Business-Type Activities <u>Utility</u>
<b>Operating revenues</b>	
Charges for services	\$ 12,691,932
Penalties and interest	122,923
Licenses and permits	770
Other revenue	<u>767,141</u>
Total operating revenues	<u>13,582,766</u>
<b>Operating expenses</b>	
Payroll costs	1,725,796
Professional services	225,018
Contracted services	5,283,716
Supplies and materials	1,054,632
Recurring operating expense	1,178,965
Depreciation expense	867,598
Miscellaneous expense	<u>8,762</u>
Total operating expenses	<u>10,344,487</u>
<b>Operating income</b>	<u>3,238,279</u>
<b>Nonoperating revenues (expenses)</b>	
Investment income	208,069
Intergovernmental	215,445
Interest and fiscal charges	<u>(41,439)</u>
Total nonoperating revenues	<u>382,075</u>
<b>Income before transfers</b>	3,620,354
<b>Transfers</b>	
Transfers (out)	<u>(2,787,088)</u>
Total transfers	<u>(2,787,088)</u>
Change in net position	833,266
Net position - Beginning as reported	16,119,979
Restatement - GASB 101 Implementation	(117,383)
Net position - Beginning as restated	<u>16,002,596</u>
Ending Net Position	<u>\$ 16,835,862</u>

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the year ended September 30, 2025

	Business-Type Activities <u>Utility</u>
<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 13,308,649
Payments to employees	(1,785,763)
Payments to suppliers	(7,828,626)
Net cash provided by operating activities	<u>3,694,260</u>
<b>Cash flows from noncapital financing activities</b>	
Intergovernmental	215,445
Transfer to other funds	(2,787,088)
Net cash (used) by noncapital financing activities	<u>(2,571,643)</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(1,532,387)
Proceeds from notes payable	99,282
Principal paid on capital debt	(261,765)
Interest and fiscal agent fees paid	(41,439)
Net cash (used) by capital and related financing activities	<u>(1,736,309)</u>
<b>Cash flows from investing activities</b>	
Interest on investments	208,069
Net cash provided by investing activities	<u>208,069</u>
Net decrease in cash and cash equivalents	(405,623)
Beginning cash and cash equivalents	<u>4,027,723</u>
Ending cash and cash equivalents	<u>\$ 3,622,100</u>
<b>Ending cash and cash equivalents</b>	
Unrestricted cash and cash equivalents	\$ 3,350,770
Restricted cash and cash equivalents	271,330
	<u>\$ 3,622,100</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the year ended September 30, 2025

---

	Business-Type <u>Activities</u> <u>Utility</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 3,238,279
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	867,598
Changes in operating assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(290,717)
Deferred outflows of resources - pensions (TMRS)	97,146
Deferred outflows of resources - OPEB (TMRS)	1,680
Increase (decrease) in liabilities	
Customer deposits	16,600
Deferred inflows of resources - pensions (TMRS)	38,677
Deferred inflows of resources - OPEB (TMRS)	(4,770)
Accounts payable and accrued liabilities	(365,249)
Due to component unit	(25,946)
Due to component other funds	291,943
Compensated absences	(7,783)
Net pension liability - TMRS	(186,657)
Total OPEB liability - TMRS	1,740
Due to state	21,719
Net cash provided by operating activities	\$ 3,694,260

---

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
September 30, 2025

---

	<u>Library Trust</u>	<u>Fire Protection Trust</u>	<u>Perpetual Care Cemetery Trust</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 312	\$ 508,285	\$ 285,955	\$ 794,552
Investments	23,285	-	-	23,285
Accounts receivable	-	3,122	-	3,122
Due from other units	-	42,266	3,981	46,247
Total assets	<u>23,597</u>	<u>553,673</u>	<u>289,936</u>	<u>867,206</u>
<b>NET POSITION</b>				
Held in trust	<u>23,597</u>	<u>553,673</u>	<u>289,936</u>	<u>867,206</u>
 Total net position	 <u>\$ 23,597</u>	 <u>\$ 553,673</u>	 <u>\$ 289,936</u>	 <u>\$ 867,206</u>

---

See Notes to Financial Statements.

CITY OF SCHULENBURG, TEXAS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the year ended September 30, 2025

---

	<u>Library Trust</u>	<u>Fire Protection Trust</u>	<u>Perpetual Care Cemetery Trust</u>	<u>Total Fiduciary Funds</u>
<b>Additions</b>				
Public donations	\$ -	\$ 25,965	\$ -	\$ 25,965
Interest earned	15	7,855	533	8,403
Total additions	15	33,820	533	34,368
 Change in net position	 15	 33,820	 533	 34,368
 Beginning net position	 23,582	 519,853	 289,403	 832,838
 Ending Net Position	 \$ 23,597	 \$ 553,673	 \$ 289,936	 \$ 867,206

---

See Notes to Financial Statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 and programs that provide economic benefit to businesses while also diversifying the economic base of the community. City Council appoints all members of the governing board and approves any debt issued by the SEDC.

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.

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.

---

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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:

General Fund: 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.

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

The City reports the following proprietary fund:

Enterprise Fund: The *enterprise fund* is known as the utility fund 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 type of fund type:

Fiduciary Funds: *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 trust 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.

---

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

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.

---

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

The City also provides long-term loans to local businesses under various economic development programs. These receivables are recorded in the governmental funds when measurable and available; otherwise, the related amounts are reported as long-term receivables in the government-wide statements, with unavailable amounts recorded as deferred inflows of resources in the governmental funds. The discrete component unit also reports these loan receivables in accordance with its applicable measurement focus and basis of accounting. Loan terms vary by agreement and may include interest, forgiveness provisions, or performance-based requirements.

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

Inventories and Prepaid Items: Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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>Assets Depreciation</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

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.

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.

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.

---

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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.

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.

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.

---

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

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.

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 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.

Revenues and Expenditures/Expenses:

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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

New Accounting Pronouncement: In June 2022, the GASB issued GASB Statement No. 101, Compensated Absences, effective for fiscal years beginning after December 15, 2023. GASB Statement No. 101 requires recognition of a liability for leave when earned if it is attributable to services already rendered and is expected to be paid. The liability includes vacation, sick leave, and other forms of paid time off that accumulate and vest or are expected to be used in future periods. The District remeasured its compensated absences liability as of year end in accordance with GASB Statement No. 101, and it resulted in the recognition of compensated absences liability previously unrecorded under prior guidance. See Note 5 for detailed amounts related to this change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information: 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.

Excess of Expenditures over Appropriations:

<u>General fund</u>		
General government		
Governing body	\$	4,693
Office management	\$	144,582
Public safety		
Fire department	\$	23,709
Parks and recreation		
Sports complex	\$	140,016
Parks and recreation	\$	28,781
Civic center	\$	165,864

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

Deposits and Investments: Deposits and investments with less than three months maturity are reported as cash and cash equivalents in the financial statements of the primary government, the fiduciary funds, and its discrete component unit. Certificates of deposits are reported as investments in the financial statement of the primary government, the fiduciary funds, and its discrete component unit.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

The City's cash and cash equivalents at September 30, 2025 consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>			
	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Discrete Component Unit</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Pooled funds					
Cash on hand and in banks	\$ 91,930	\$ -	\$ 982,306	\$ 586,720	\$ 1,660,956
Deposits					
TexPool	<u>713,766</u>	<u>3,622,100</u>	<u>-</u>	<u>207,832</u>	<u>4,543,698</u>
Total value	<u>\$ 805,696</u>	<u>\$ 3,622,100</u>	<u>\$ 982,306</u>	<u>\$ 794,552</u>	<u>\$ 6,204,654</u>

The cash on hand held in bank accounts as of September 30, 2025, and during the year ended September 30, 2025, were covered by FDIC insurance or by pledged collateral held by the agent bank in the City's and discrete component units name.

As of September 30, 2025, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ <u>1,316,818</u>	0.78
Total value	<u>\$ 1,316,818</u>	
Portfolio weighted average maturity		0.78

**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.

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

*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, 2025, 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 fiscal year end, the fair market values of pledged securities and FDIC coverage were more than the bank balances.

Receivables: The following comprise receivable balances at year end for primary government:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Enterprise</u>	<u>Total Funds</u>
Property taxes	\$ 30,059	\$ -	\$ -	\$ 30,059
Sales taxes	154,460	-	-	154,460
Hotel taxes	-	52,923	-	52,923
Other taxes	1,126	-	-	1,126
Utilities	-	-	1,884,895	1,884,895
Allowance	(1,503)	-	(215,024)	(216,527)
<b>Total</b>	<u>\$ 184,142</u>	<u>\$ 52,923</u>	<u>\$ 1,669,871</u>	<u>\$ 1,906,936</u>

Long-Term Receivables: Loans receivable (the “Loans”) of \$30,074 for the City and \$682,168 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 Ending	<u>Governmental Activities Loan Receivable</u>		<u>Component Unit Loan Receivable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>September 30,</u>				
2026	\$ 13,075	\$ 844	\$ 64,611	\$ 21,512
2027	13,540	379	39,798	20,244
2028	3,459	20	41,109	18,933
2029	-	-	222,794	7,907
2030	-	-	26,477	9,306
2031-2035	-	-	127,689	39,761
2036-2040	-	-	101,876	19,917
2041-2044	-	-	57,814	2,953
<b>Total</b>	<u>\$ 30,074</u>	<u>\$ 1,243</u>	<u>\$ 682,168</u>	<u>\$ 140,533</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Governmental activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 356,220	\$ -	\$ -	\$ 356,220
Construction in progress	-	380,579	-	380,579
Total capital assets not being depreciated	356,220	380,579	-	736,799
Other capital assets not being depreciated/amortized				
Buildings	7,585,369	1,302,556	-	8,887,925
Machinery and equipment	1,241,475	50,281	-	1,291,756
Vehicles	2,998,359	190,575	(60,184)	3,128,750
Infrastructure	13,256,557	-	-	13,256,557
Total other capital assets	25,081,760	1,543,412	(60,184)	26,564,988
Less accumulated depreciation/amortization for				
Buildings	(4,539,949)	(200,749)	-	(4,740,698)
Machinery and equipment	(830,158)	(88,645)	-	(918,803)
Vehicles	(2,473,327)	(113,383)	60,184	(2,526,526)
Infrastructure	(10,595,437)	(445,176)	-	(11,040,613)
Total accumulated depreciation/amortization	(18,438,871)	(847,953)	60,184	(19,226,640)
Other capital assets, net	6,642,889	695,459	-	7,338,348
Governmental activities capital assets, net	\$ 6,999,109	\$ 1,076,038	\$ -	8,075,147
			Less associated debt	(1,621,789)
			Net investment in capital assets	\$ 6,453,358

Depreciation was charged to governmental functions as follows:

<u>Governmental Activities</u>	
General government	\$ 49,016
Public safety	127,993
Parks, recreation, and culture	137,998
Public works	532,946
Total governmental activities depreciation expense	\$ 847,953

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

Construction in progress and remaining commitments under related construction contracts for governmental activities projects at year end were as follows:

<u>Project Description</u>	<u>Authorized Project Costs</u>	<u>Construction Expenditures</u>	<u>Remaining Project Costs</u>
Water Line and Street Improvements			
- US 77 Street Improvements	\$ 555,142	\$ 380,579	\$ 174,563

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

	<u>Business - Type</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 205,953	\$ -	\$ -	\$ 205,953
Construction in progress	600,393	970,942	(1,069,956)	501,379
Total capital assets not being depreciated	<u>806,346</u>	<u>970,942</u>	<u>(1,069,956)</u>	<u>707,332</u>
Other capital assets not being depreciated/amortized				
Buildings	1,067,746	-	-	1,067,746
Machinery and equipment	4,170,082	109,058	(56,183)	4,222,957
Furnitures and fixtures	133,819	-	-	133,819
Utility system	26,362,230	1,522,343	-	27,884,573
Total other capital assets	<u>31,733,877</u>	<u>1,631,401</u>	<u>(56,183)</u>	<u>33,309,095</u>
Less accumulated depreciation/amortization for				
Buildings	(782,464)	(26,265)	-	(808,729)
Machinery and equipment	(2,991,749)	(188,540)	56,183	(3,124,106)
Furniture and fixtures	(133,819)	-	-	(133,819)
Utility system	(16,566,149)	(652,793)	-	(17,218,942)
Total accumulated depreciation/amortization	<u>(20,474,181)</u>	<u>(867,598)</u>	<u>56,183</u>	<u>(21,285,596)</u>
Other capital assets, net	<u>11,259,696</u>	<u>763,803</u>	<u>-</u>	<u>12,023,499</u>
Business-type activities capital assets, net	<u>\$ 12,066,042</u>	<u>\$ 1,734,745</u>	<u>\$ (1,069,956)</u>	<u>12,730,831</u>
			Less associated debt	<u>(474,047)</u>
			Net investment in capital assets	<u>\$ 12,256,784</u>

Depreciation was charged to business-type functions within the utility fund as follows:

Electric	\$ 162,192
Water	387,852
Sewer	216,908
Warehouse	15,873
Garbage	84,773
Total business-type activities depreciation expense	<u>\$ 867,598</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

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

<u>Component Unit</u>	Component Unit			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	
Capital assets not being depreciated/amortized				
EDC Blinn College	\$ 1,288,990	\$ -	\$ -	\$ 1,288,990
Less accumulated depreciation/amortization for				
EDC Blinn College	\$ (1,288,990)	\$ -	\$ -	\$ (1,288,990)
Component unit capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Construction in progress and remaining commitments under related construction contracts for enterprise fund projects at year end were as follows:

<u>Project Description</u>	<u>Authorized Project Costs</u>	<u>Construction Expenditures</u>	<u>Remaining Project Costs</u>
Water Line and Street Improvements			
- US 77 Waterline Improvements	\$ 731,348	\$ 501,379	\$ 229,969

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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Direct borrowings/private placement					
Note payable	\$ 214,441	\$ 142,028	\$ (68,680)	\$ 287,789	* \$ 113,760
Tax Note, Series 2024	-	1,334,000	-	1,334,000	* 167,000
Other liabilities					
Compensated absences **	485,544	275,238	(210,952)	549,830	494,847
Net pension liability - TMRS	1,199,202	-	(277,366)	921,836	-
Net pension liability - TESRS	654,934	824,691	-	1,479,625	-
Total OPEB liability - TMRS	<u>95,669</u>	<u>2,586</u>	<u>-</u>	<u>98,255</u>	<u>589</u>
Total governmental activities	<u>\$ 2,649,790</u>	<u>\$ 2,578,543</u>	<u>\$ (556,998)</u>	<u>\$ 4,671,335</u>	<u>\$ 776,196</u>
				<u>\$ 3,895,139</u>	
				<u>\$ 1,621,789</u>	

\*\*Beginning Compensated absences balance have been restated

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities</u>					
Direct borrowings/private placement					
Note payable	\$ 636,530	\$ 99,282	\$ (261,765)	\$ 474,047	* \$ 177,375
Other liabilities					
Compensated absences **	140,797	48,954	(56,737)	133,014	119,713
Net pension liability - TMRS	685,532	-	(186,657)	498,875	-
Total OPEB liability - TMRS	<u>47,673</u>	<u>1,740</u>	<u>-</u>	<u>49,413</u>	<u>301</u>
 Total business-type activities	 <u>\$ 1,510,532</u>	 <u>\$ 149,976</u>	 <u>\$ (505,159)</u>	 <u>\$ 1,155,349</u>	 <u>\$ 297,389</u>
				<u>Long-term debt due in more than one year</u>	
				\$ 857,960	
				<u>*Debt associated with business-type activities capital assets</u>	
				\$ 474,047	

\*\*Beginning Compensated absences balance have been restated

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 <u>September 30,</u>	<u>Governmental Activities</u>		
	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 113,760	\$ 16,118	\$ 129,878
2027	85,722	10,306	96,028
2028	79,314	5,191	84,505
2029	<u>8,993</u>	<u>526</u>	<u>9,519</u>
	<u>\$ 287,789</u>	<u>\$ 32,141</u>	<u>\$ 319,930</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

Fiscal Year Ended September 30,	Governmental Activities		
	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 167,000	\$ 55,849	\$ 222,849
2027	175,000	49,131	224,131
2028	182,000	41,763	223,763
2029	190,000	34,101	224,101
2030	198,000	26,102	224,102
2031-2032	422,000	26,818	448,818
	<u>\$ 1,334,000</u>	<u>\$ 233,764</u>	<u>\$ 1,567,764</u>

Fiscal Year Ended September 30,	Business-Type Activities		
	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 177,375	\$ 28,210	\$ 205,585
2027	101,797	17,701	119,498
2028	94,627	11,578	106,205
2029	100,248	5,956	106,204
	<u>\$ 474,047</u>	<u>\$ 63,445</u>	<u>\$ 537,492</u>

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

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
<b>Governmental Activities</b>		
Notes payable		
Police Vehicles	3.000%	\$ 32,864
Street Sweeper	3.000%	91,933
2024 Ford Super Duty	6.550%	20,963
F150 Police Vehicle	5.800%	108,934
2025 Dump Truck	5.850%	33,095
Total governmental activities long-term debt		<u>\$ 287,789</u>
<b>Business-Type Activities</b>		
Notes payable		
Tractor Trailer	5.817%	\$ 81,354
Sanitation Truck	5.980%	269,226
2024 Ford Super Duty	6.550%	35,175
2025 Dump Truck	5.850%	88,292
Total business-type activities notes payable		<u>\$ 474,047</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

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

<u>Interfund Payable</u>	<u>Interfund Receivable</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 67,221
Nonmajor governmental	Nonmajor governmental	57,082
Utility	Nonmajor governmental	298,542
Utility	Fire protection trust	42,266
Utility	Cemetery trust	3,981
		<u>\$ 469,092</u>

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

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Utility	General	<u>\$ 2,787,088</u>

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

**NOTE 4 - OTHER INFORMATION**

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 1,174 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.

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.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

Pension Plan:

**Texas Municipal Retirement System**

Plan Description: The City participates as one of 938 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 [www.tmr.com](http://www.tmr.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.

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:

	2025	2024
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/hrs 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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving, benefits	39
Active employees	41
Total	116

---

(Continued)

**NOTE 4 - OTHER INFORMATION** (Continued)

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 18.98% and 17.99% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025 were \$526,041, which were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payment 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 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) 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 to satisfy the short-term and long-term funding needs of TMRS.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	35%	7.0%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Othe private markets	<u>4%</u>	7.3%
Total	<u>100%</u>	

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, the TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 4 - OTHER INFORMATION** (Continued)

Changes in the NPL:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Changes for the year			
Service cost	\$ 477,466	\$ -	\$ 477,466
Interest	1,118,431	-	1,118,431
Difference between expected and actual experience	(160,717)	-	(160,717)
Change in assumptions	353,065	-	353,065
Contributions - employer	-	513,153	(513,153)
Contributions - employee	-	189,256	(189,256)
Net investment income	-	1,560,116	(1,560,116)
Benefit payments, including refunds of employee contributions	(868,779)	(868,779)	-
Administrative expense	-	(10,023)	10,023
Other changes	-	(234)	234
Net Changes	919,466	1,383,489	(464,023)
Balance at December 31, 2023	16,925,718	15,040,984	1,884,734
Balance at December 31, 2024	<u>\$ 17,845,184</u>	<u>\$ 16,424,473</u>	<u>\$ 1,420,711</u>

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%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	<u>\$ 3,679,271</u>	<u>\$ 1,420,711</u>	<u>\$ (444,673)</u>

Pension Plan Fiduciary Net Position: Detailed information about the TMRS fiduciary net position is available in a Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tmr.com](http://www.tmr.com).

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2025, the City recognized pension expense of \$397,003.

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 280,087	\$ -
Changes in actuarial assumptions	-	(55,917)
Difference between projected and actual investment earnings	-	(154,389)
Contributions subsequent to the measurement date	<u>381,025</u>	<u>-</u>
 Total	 <u>\$ 661,112</u>	 <u>\$ (210,306)</u>

\$381,025 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended September 30,</u>	<u>Pension Expense</u>
2026	\$ 135,624
2027	284,303
2028	(241,175)
2029	<u>(108,971)</u>
 Total	 <u>\$ 69,781</u>

**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 Texas Emergency Services Retirement System (TESRS) and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2024, there were 244 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, 2024, TESRS's membership consisted of:

Retirees and beneficiaries currently receiving benefits	4,122
Terminated members entitled to benefits but not yet receiving them	1,806
Active participants (vested and nonvested)	<u>3,394</u>
 Total	 <u>9,322</u>

(Continued)

**NOTE 4 - OTHER INFORMATION** (Continued)

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

Benefit 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% vested after the tenth year of service, with the vesting percentage increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

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

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

Funding Policy: Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing 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 percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2024 actuarial valuation, even the maximum 15% Part Two contributions are not enough to have an adequate contribution arrangement.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to 15 years of credit for prior 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.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2024, the money-weighted rate of return on pension plan investments was 11.85%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

Contributions: The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending September 30, 2025, total contributions (dues, prior service, and interest on prior service financing) of \$32,953 were paid by the City. The State appropriated \$1,292,763 for the fiscal year ending August 31, 2024 to TESRS as a whole.

Actuarial Assumptions: The TPL in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	August 31, 2024
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with an 80%/120% corridor on market value
Actuarial assumptions	
Investment rate of return*	7.25%
Projected salary increases	N/A
* Includes inflation at	2.75%
Cost-of-living adjustment	None

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.6%) and by adding expected inflation (2.75%). In addition, the final 7.25% assumption was selected by rounding down.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 4 - OTHER INFORMATION** (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	20%	5.71%
Small/mid cap domestic	10%	5.98%
Developed international	15%	6.19%
Emerging markets	5%	7.38%
Global infrastructure	5%	6.63%
Real estate	10%	4.50%
Multi-asset income	5%	3.75%
Fixed income	30%	1.97%
Cash	<u>0%</u>	0.00%
Total	<u>100%</u>	
Weighted Average		4.60%

Discount Rate: The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows was used to determine the discount rate assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 actuarial valuation. Based on these assumptions, the TESRS's fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of the present value of benefits through 2051 discounted at the long-term expected rate of return of 7.25% and the present value of benefits after 2051 discounted at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near August 31, 2024.

Discount Rate Sensitivity Analysis: The following presents the net pension liability of the City, calculated using the discount rate of 5.38%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.38%) or one percentage point higher (6.38%) than the current rate:

	<u>1% Decrease in Discount Rate (4.38%)</u>	<u>Current Discount Rate (5.38%)</u>	<u>1% Increase in Discount Rate (6.38%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 2,042,025</u>	<u>\$ 1,479,625</u>	<u>\$ 1,035,655</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At September 30, 2025, the City reported a liability of \$1,479,625 for its proportionate share of the TESRS's TPL. This liability reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$ 1,479,625
*State's proportionate share that is associated with the City	<u>370,576</u>
	<u>\$ 1,850,201</u>

\* 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, 2024. GASB Statement No. 68 requires the net pension liability 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 a NPL measured as of August 31, 2024. The City used the assumption that any differences in the NPL measured as of August 31, 2024 versus September 30, 2024 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru September 30, 2024.

At September 30, 2025, the City's proportion of the collective NPL was 1.378%, which was a decrease of 0.135% from its proportion measured as of September 30, 2024.

The discount rate decreased from 7.50% as of December 31, 2023 to 5.38% as of December 31, 2024. There were no other changes of assumptions or other inputs that affected measurement of the net pension liability during the measurement period.

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

For the year ended September 30, 2024 the City recognized pension expense of \$437,724. On-behalf revenues and expenditures were immaterial and not recognized by the City.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

At September 30, 2025, the City reported its proportionate share of the TESRS's deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 79,456	\$ -
Changes in assumptions	527,074	-
Difference between expected and actual experience	49,545	-
Contributions paid to TESRS subsequent to the measurement date	32,953	-
Total	\$ 689,028	\$ -

The contributions paid to TESRS subsequent to the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The net amounts of the City's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended September 30,</u>	<u>Pension Expense</u>
2026	\$ 389,580
2027	290,286
2028	(8,847)
2029	(14,944)
Total	\$ 656,075

Other Postemployment Benefits:

**TMRS Supplemental Death Benefit**

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.

---

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

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

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all 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, 2024 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	<u>41</u>
Total	<u><u>74</u></u>

Total OPEB Liability: The City's total OPEB liability of \$147,668 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2024 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	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied 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 MP-2021 to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Bond Buyer “20-Bond GO Index” rate closet to, but not later than December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Changes for the year	
Service cost	\$ 6,759
Interest	5,460
Changes of assumptions	3,657
Difference between expected and actual experience	(7,765)
Benefit payments*	(3,785)
Net changes	4,326
Balance at December 31, 2023	143,342
Balance at December 31, 2024	\$ 147,668

\* 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.

(Continued)

CITY OF SCHULENBURG, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

---

**NOTE 4 - OTHER INFORMATION** (Continued)

The discount rate increased from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. 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 (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	\$ 174,838	\$ 147,668	\$ 126,285

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2025, the City recognized OPEB expense of \$893. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,698	\$ (1,837)
Changes in actuarial assumptions	5,886	(25,635)
Contributions subsequent to the measurement date	3,177	-
Total	<u>\$ 12,761</u>	<u>\$ (27,472)</u>

The \$3,177 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, 2026.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended September 30,</u>	<u>OPEB Expense</u>
2026	\$ (13,520)
2027	(3,979)
2028	<u>(389)</u>
Total	<u>\$ (17,888)</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2025

---

**NOTE 5 – CHANGES IN ACCOUNTING PRINCIPLE**

Beginning net position for governmental activities, business type activities, and the Utility Fund were restated to recognize the compensated absences liability as a result of implementation of GASB Statement No. 101, Compensated Absences.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Utility</u>
Beginning net position - as reported	\$ 6,719,863	\$ 16,119,979	\$ 16,119,979
Compensated absences liability - restatements	<u>(430,762)</u>	<u>(117,383)</u>	<u>(117,383)</u>
Beginning net position - restated	<u>\$ 6,289,101</u>	<u>\$ 16,002,596</u>	<u>\$ 16,002,596</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the year ended September 30, 2025

	Original Budgeted <u>Amounts</u>	Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 754,807	\$ 754,807	\$ 740,315	\$ (14,492)
Sales taxes	1,475,000	1,475,000	920,312	(554,688)
Franchise fees	65,000	65,000	50,782	(14,218)
Fines and court costs	165,030	165,030	115,658	(49,372)
Licenses and permits	55,000	55,000	140,923	85,923
Charges for services	7,500	7,500	35,813	28,313
Intergovernmental	200,000	200,000	220,388	20,388
Investment earnings	62,000	62,000	100,989	38,989
Miscellaneous	336,300	336,300	76,472	(259,828)
Total revenues	<u>3,120,637</u>	<u>3,120,637</u>	<u>2,401,652</u>	<u>(718,985)</u>
<b>Expenditures</b>				
Current				
General government				
Governing body	306,150	306,150	310,843	(4,693) *
Office management	562,950	562,950	707,532	(144,582) *
Public safety				
Fire department	166,530	166,530	190,239	(23,709) *
Police department	1,643,500	1,643,500	1,600,382	43,118
Municipal court	89,650	89,650	88,221	1,429
Parks and recreation				
Sports complex	152,400	152,400	292,416	(140,016) *
Parks and recreation	134,625	134,625	163,406	(28,781) *
Swimming pool	16,900	22,900	12,024	10,876
Library	363,130	363,130	333,121	30,009
Civic center	22,200	22,200	188,064	(165,864) *
City cemetery	111,000	111,000	108,047	2,953
Public works				
Street department	1,905,350	1,742,208	795,371	946,837
Blinn College	477,000	477,000	2,501	474,499
Capital outlay	1,882,517	2,039,659	1,923,991	115,668
Debt service				
Principal	-	-	68,680	(68,680)
Interest	-	-	38,847	(38,847)
Issuance costs	-	-	34,000	(34,000)
Total expenditures	<u>7,833,902</u>	<u>7,833,902</u>	<u>6,857,685</u>	<u>976,217</u>
Deficiency of revenues under expenditures	<u>(4,713,265)</u>	<u>(4,713,265)</u>	<u>(4,456,033)</u>	<u>257,232</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the year ended September 30, 2025

---

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ -	\$ 2,787,088	\$ 2,787,088
Proceeds from note	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,476,028</u>	<u>176,028</u>
Total other financing sources (uses)	<u>1,300,000</u>	<u>1,300,000</u>	<u>4,263,116</u>	<u>2,963,116</u>
Net change in fund balance	<u>\$ (3,413,265)</u>	<u>\$ (3,413,265)</u>	(192,917)	<u>\$ 3,220,348</u>
Beginning fund balance			<u>6,011</u>	
Ending fund balance			<u>\$ (186,906)</u>	

**Notes to Required Supplementary Information:**

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

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
For the year ended September 30, 2025

	Measurement Year									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>										
Service cost	\$ 477,466	\$ 398,529	\$ 365,448	\$ 328,693	\$ 323,435	\$ 322,030	\$ 301,501	\$ 288,289	\$ 280,316	\$ 252,168
Interest (on the total pension liability)	1,118,431	1,085,424	1,036,622	1,001,493	988,431	957,010	928,211	901,737	854,698	858,360
Difference between expected and actual experience	(160,717)	167,346	148,349	(5,189)	(274,576)	(71,786)	(61,600)	(148,001)	202,611	(127,647)
Change of assumptions	353,065	(176,168)	-	-	-	86,737	-	-	-	80,798
Benefit payments, including refunds of employee contributions	(868,779)	(861,013)	(826,906)	(818,993)	(873,826)	(784,559)	(718,886)	(593,978)	(695,503)	(660,166)
Net change in total pension liability	919,466	614,118	723,513	506,004	163,464	509,432	449,226	448,047	642,122	403,513
Beginning total pension liability	16,925,718	16,311,600	15,588,087	15,082,083	14,918,619	14,409,187	13,959,961	13,511,914	12,869,792	12,466,279
Ending total pension liability	<u>\$ 17,845,184</u>	<u>\$ 16,925,718</u>	<u>\$ 16,311,600</u>	<u>\$ 15,588,087</u>	<u>\$ 15,082,083</u>	<u>\$ 14,918,619</u>	<u>\$ 14,409,187</u>	<u>\$ 13,959,961</u>	<u>\$ 13,511,914</u>	<u>\$ 12,869,792</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 513,153	\$ 416,168	\$ 403,118	\$ 405,867	\$ 420,935	\$ 407,625	\$ 395,138	\$ 385,296	\$ 355,711	\$ 312,551
Contributions - employee	189,256	162,475	151,548	139,954	137,049	133,149	125,327	119,551	117,696	104,883
Net investment income	1,560,116	1,588,803	(1,102,594)	1,775,145	983,386	1,769,297	(359,796)	1,474,004	687,867	15,370
Benefit payments, including refunds of employee contributions	(868,779)	(861,013)	(826,906)	(818,993)	(873,826)	(784,559)	(718,886)	(593,978)	(695,503)	(660,166)
Administrative expense	(10,023)	(10,120)	(9,549)	(8,218)	(6,367)	(10,000)	(6,955)	(7,640)	(7,769)	(9,362)
Other	(234)	(71)	11,396	57	(248)	(301)	(363)	(387)	(419)	(463)
Net change in plan fiduciary net position	1,383,489	1,296,242	(1,372,987)	1,493,812	660,929	1,515,211	(565,535)	1,376,846	457,583	(237,187)
Beginning plan fiduciary net position	15,040,984	13,744,742	15,117,729	13,623,917	12,962,988	11,447,777	12,013,312	10,636,466	10,178,883	10,416,070
Ending plan fiduciary net position	<u>\$ 16,424,473</u>	<u>\$ 15,040,984</u>	<u>\$ 13,744,742</u>	<u>\$ 15,117,729</u>	<u>\$ 13,623,917</u>	<u>\$ 12,962,988</u>	<u>\$ 11,447,777</u>	<u>\$ 12,013,312</u>	<u>\$ 10,636,466</u>	<u>\$ 10,178,883</u>
Net pension liability	<u>\$ 1,420,711</u>	<u>\$ 1,884,734</u>	<u>\$ 2,566,858</u>	<u>\$ 470,358</u>	<u>\$ 1,458,166</u>	<u>\$ 1,955,631</u>	<u>\$ 2,961,410</u>	<u>\$ 1,946,649</u>	<u>\$ 2,875,448</u>	<u>\$ 2,690,909</u>
Plan fiduciary net position as a percentage of total pension liability	92.04%	88.86%	84.26%	96.98%	90.33%	86.89%	79.45%	86.06%	78.72%	79.09%
Covered payroll	\$ 2,703,658	\$ 2,321,075	\$ 2,164,976	\$ 1,999,348	\$ 1,957,841	\$ 1,902,124	\$ 1,790,388	\$ 1,707,873	\$ 1,647,946	\$ 1,498,327
Net pension liability as a percentage of covered payroll	52.55%	81.20%	118.56%	23.53%	74.48%	102.81%	165.41%	113.98%	174.49%	179.59%

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)  
For the year ended September 30, 2025

	Measurement Year									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.378%	1.513%	1.531%	0.718%	1.060%	1.264%	1.049%	1.670%	1.678%	1.611%
City's proportionate share of the net pension liability	\$ 1,479,625	\$ 654,934	\$ 628,170	\$ 76,928	\$ 267,235	\$ 358,288	\$ 227,113	\$ 400,828	\$ 488,653	\$ 430,091
State's proportionate share of the net pension liability	<u>370,576</u>	<u>173,582</u>	<u>163,062</u>	<u>21,298</u>	<u>76,181</u>	<u>106,278</u>	<u>63,032</u>	<u>131,256</u>	<u>168,932</u>	<u>149,082</u>
Total	<u>\$ 1,850,201</u>	<u>\$ 828,516</u>	<u>\$ 791,232</u>	<u>\$ 98,226</u>	<u>\$ 343,416</u>	<u>\$ 464,566</u>	<u>\$ 290,145</u>	<u>\$ 532,084</u>	<u>\$ 657,585</u>	<u>\$ 579,173</u>
Number of active members*	35	33	34	34	34	35	35	31	31	34
City's net pension liability per active member	\$ 42,275	\$ 19,846	\$ 18,476	\$ 2,263	\$ 7,860	\$ 10,237	\$ 6,489	\$ 12,930	\$ 15,665	\$ 12,650
Plan fiduciary net position as a percentage of the total pension liability	56.30%	74.60%	75.20%	93.10%	83.20%	80.20%	84.26%	81.40%	76.30%	76.90%

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

**Notes to Required Supplementary Information:**

1. Determined from the beginning of the year total pension liability using the roll forward procedure allowed by GASB 68.

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)  
For the year ended September 30, 2025

	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 526,041	\$ 484,346	\$ 414,482	\$ 402,811	\$ 404,284	\$ 407,999	\$ 405,386	\$ 388,897	\$ 380,247	\$ 351,092
Contributions in relation to the actuarially determined contribution	<u>526,041</u>	<u>484,346</u>	<u>414,482</u>	<u>402,811</u>	<u>404,284</u>	<u>407,999</u>	<u>405,386</u>	<u>388,897</u>	<u>380,247</u>	<u>351,092</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,882,026	\$ 2,587,731	\$ 2,288,001	\$ 2,112,560	\$ 1,960,581	\$ 1,899,184	\$ 1,878,490	\$ 1,753,130	\$ 1,707,709	\$ 1,655,659
Contributions as a percentage of covered payroll	18.25%	18.72%	18.12%	19.07%	20.62%	21.48%	21.58%	22.18%	22.27%	21.21%

**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	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

3. Other information: There were no benefit changes during the year.

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)  
For the year ended September 30, 2025

	Fiscal Year									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 32,953	\$ 31,770	\$ 32,870	\$ 36,328	\$ 35,880	\$ 50,883	\$ 64,534	\$ 69,688	\$ 70,100	\$ 70,000
Contributions in relation to the contractually required contribution	<u>32,953</u>	<u>31,770</u>	<u>32,870</u>	<u>36,328</u>	<u>35,880</u>	<u>50,883</u>	<u>64,534</u>	<u>69,688</u>	<u>70,100</u>	<u>70,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of active members**	32	35	33	34	34	34	35	35	31	31
Contributions per active member	\$ 1,030	\$ 908	\$ 993	\$ 1,068	\$ 1,055	\$ 1,497	\$ 1,844	\$ 1,991	\$ 2,261	\$ 2,258

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

CITY OF SCHULENBURG, TEXAS  
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM – Supplemental Death Benefits Fund (TMRS SDBF)  
For the year ended September 30, 2025

	Measurement Year*							
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>								
Service cost	\$ 6,759	\$ 5,338	\$ 10,175	\$ 8,797	\$ 7,048	\$ 5,516	\$ 5,371	\$ 4,440
Interest (on the total pension liability)	5,460	5,208	3,497	3,483	4,147	7,390	4,524	4,491
Difference between expected and actual experience	3,657	1,564	(4,968)	35	(8,982)	(83,670)	62,744	-
Changes of assumptions	(7,765)	7,161	(64,575)	5,772	22,544	23,265	(8,795)	9,867
Benefit payments**	(3,785)	(3,714)	(2,598)	(3,199)	(1,370)	(1,631)	(1,432)	(1,366)
Net change in total OPEB liability	4,326	15,557	(58,469)	14,888	23,387	(49,130)	62,412	17,432
Beginning total OPEB liability	143,342	127,785	186,254	171,366	147,979	197,109	134,697	117,265
Ending total OPEB liability	<u>\$ 147,668</u>	<u>\$ 143,342</u>	<u>\$ 127,785</u>	<u>\$ 186,254</u>	<u>\$ 171,366</u>	<u>\$ 147,979</u>	<u>\$ 197,109</u>	<u>\$ 134,697</u>
Covered-employee payroll	\$ 2,703,658	\$ 2,321,075	\$ 2,164,976	\$ 1,999,348	\$ 1,957,841	\$ 1,902,124	\$ 1,790,388	\$ 1,707,873
Total OPEB liability as a percentage of covered-employee payroll	5.46%	6.18%	5.90%	9.32%	8.75%	7.78%	11.01%	7.89%

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

(Continued)

CITY OF SCHULENBURG, TEXAS  
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM – Supplemental Death Benefits Fund (TMRS SDBF)  
 For the year ended September 30, 2025

---

**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	3.60% to 11.85% including inflation
Discount rate	4.08%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 3.50% and 3.00% 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 the most recent Scale MP-2021 (with immediate convergence) 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 Statement No. 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, 2024.  
 The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial study for the period ending December 31, 2022.  
 There were no benefit changes during the year.

**SUPPLEMENTARY INFORMATION**

CITY OF SCHULENBURG, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2025

	Industrial Development <u>Escrow</u>	Hotel/Motel Occupancy <u>Tax</u>	<u>Grant</u>	Court <u>Technology</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 708,926	\$ 84,353	\$ 5,669	\$ 4,505
Receivables, net	-	52,923	-	-
Loans receivable	30,074	-	-	-
Due from other funds	6,599	291,943	-	40,700
Total assets	<u>\$ 745,599</u>	<u>\$ 429,219</u>	<u>\$ 5,669</u>	<u>\$ 45,205</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 21,092	\$ -	\$ -
Due to other funds	52,577	-	-	4,505
Total liabilities	<u>52,577</u>	<u>21,092</u>	<u>-</u>	<u>4,505</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - industrial loans	30,074	-	-	-
Total deferred inflows of resources	<u>30,074</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for				
Industrial development	662,948	-	-	-
Enabling legislation	-	408,127	-	40,700
Grant activities	-	-	5,669	-
Total fund balances	<u>662,948</u>	<u>408,127</u>	<u>5,669</u>	<u>40,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 745,599</u>	<u>\$ 429,219</u>	<u>\$ 5,669</u>	<u>\$ 45,205</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2025

	<u>Child Safety</u>	<u>Court Security</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 843	\$ -	\$ 804,296
Receivables, net	-	-	52,923
Loans receivable	-	-	30,074
Due from other funds	56,676	26,927	422,845
Total assets	<u>\$ 57,519</u>	<u>\$ 26,927</u>	<u>\$ 1,310,138</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 21,092
Due to other funds	-	-	57,082
Total liabilities	<u>-</u>	<u>-</u>	<u>78,174</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - industrial loans	-	-	30,074
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>30,074</u>
<b>FUND BALANCES</b>			
Restricted for			
Industrial development	-	-	662,948
Enabling legislation	57,519	26,927	533,273
Grant activities	-	-	5,669
Total fund balances	<u>57,519</u>	<u>26,927</u>	<u>1,201,890</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,519</u>	<u>\$ 26,927</u>	<u>\$ 1,310,138</u>

CITY OF SCHULENBURG, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the year ended September 30, 2025

	Industrial Development <u>Escrow</u>	Hotel/Motel Occupancy <u>Tax</u>	<u>Grant</u>	Court <u>Technology</u>
<b>Revenues</b>				
Hotel occupancy tax	\$ -	\$ 235,638	\$ -	\$ -
Interest earnings	30,530	-	-	-
Court technology	-	-	-	142
Child safety	-	-	-	-
Court security	-	-	-	-
Miscellaneous	13,919	-	-	-
Total revenues	<u>44,449</u>	<u>235,638</u>	<u>-</u>	<u>142</u>
<b>Expenditures</b>				
Public works				
Industrial development	1,200	-	-	-
Tourism	-	235,592	-	-
Total expenditures	<u>1,200</u>	<u>235,592</u>	<u>-</u>	<u>-</u>
Net change in fund balance	43,249	46	-	142
Beginning fund balance	<u>619,699</u>	<u>408,081</u>	<u>5,669</u>	<u>40,558</u>
Ending fund balance	<u>\$ 662,948</u>	<u>\$ 408,127</u>	<u>\$ 5,669</u>	<u>\$ 40,700</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the year ended September 30, 2025

---

	<u>Child Safety</u>	<u>Court Security</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Hotel occupancy tax	\$ -	\$ -	\$ 235,638
Interest earnings	-	-	30,530
Court technology	-	-	142
Child safety	3,690	-	3,690
Court security	-	107	107
Miscellaneous	-	-	13,919
Total revenues	3,690	107	284,026
<b>Expenditures</b>			
Public works			
Industrial development	-	-	1,200
Tourism	-	-	235,592
Total expenditures	-	-	236,792
Net change in fund balance	3,690	107	47,234
Beginning fund balance	53,829	26,820	1,154,656
Ending fund balance	\$ 57,519	\$ 26,927	\$ 1,201,890

---

CITY OF SCHULENBURG, TEXAS  
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET POSITION – UTILITY FUND – SUB-FUNDS  
For the year ended September 30, 2025

	Electric Utility	Water Utility	Sewer Utility	Garbage Utility
<b>Operating revenues</b>				
Charges for services	\$ 9,297,065	\$ 1,017,646	\$ 857,429	\$ 1,519,792
Penalties and interest	71,548	33,094	9,615	8,666
Licenses and permits	520	250	-	-
Other revenue	754,774	243	11,820	304
Total revenues	<u>10,123,907</u>	<u>1,051,233</u>	<u>878,864</u>	<u>1,528,762</u>
<b>Operating expenses</b>				
Payroll costs	356,371	314,227	382,223	487,700
Professional services	122,044	63,713	39,261	-
Contracted services	5,030,536	55,535	146,081	48,144
Supplies and materials	257,713	148,650	447,448	138,358
Recurring operating expense	183,264	93,674	428,467	442,989
Depreciation expense	162,192	387,852	216,908	84,773
Miscellaneous expense	8,762	-	-	-
Total expenses	<u>6,120,882</u>	<u>1,063,651</u>	<u>1,660,388</u>	<u>1,201,964</u>
<b>Operating income (loss)</b>	<u>4,003,025</u>	<u>(12,418)</u>	<u>(781,524)</u>	<u>326,798</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income	188,794	-	-	19,275
Intergovernmental	-	215,445	-	-
Interest and fiscal agent fees	(4,136)	-	(37,303)	-
Total nonoperating revenues (expenses)	<u>184,658</u>	<u>215,445</u>	<u>(37,303)</u>	<u>19,275</u>
Income (loss) before transfers	<u>4,187,683</u>	<u>203,027</u>	<u>(818,827)</u>	<u>346,073</u>
<b>Transfers</b>				
Transfers (out)	(2,787,088)	-	-	-
Total transfers	<u>(2,787,088)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in net position balance	1,400,595	203,027	(818,827)	346,073
Net position - beginning as reported	23,083,427	1,822,519	(10,403,836)	1,757,859
Restatement - GASB 101				
Implementation	(7,962)	(50,071)	(4,831)	(12,258)
Net position - beginning as restated	<u>23,075,465</u>	<u>1,772,448</u>	<u>(10,408,667)</u>	<u>1,745,601</u>
Ending net position	<u>\$ 24,476,060</u>	<u>\$ 1,975,475</u>	<u>\$ (11,227,494)</u>	<u>\$ 2,091,674</u>

(Continued)

CITY OF SCHULENBURG, TEXAS  
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET POSITION – UTILITY FUND – SUB-FUNDS  
For the year ended September 30, 2025

	<u>Warehouse Department</u>	<u>Total Utility Sub-Funds</u>
<b>Operating revenues</b>		
Charges for services	\$ -	\$ 12,691,932
Penalties and interest	-	122,923
Licenses and permits	-	770
Other revenue	-	767,141
	<u>-</u>	<u>13,582,766</u>
<b>Operating expenses</b>		
Payroll costs	185,275	1,725,796
Professional services	-	225,018
Contracted services	3,420	5,283,716
Supplies and materials	62,463	1,054,632
Recurring operating expense	30,571	1,178,965
Depreciation expense	15,873	867,598
Miscellaneous expense	-	8,762
	<u>297,602</u>	<u>10,344,487</u>
<b>Operating income (loss)</b>	<u>(297,602)</u>	<u>3,238,279</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income	-	208,069
Intergovernmental	-	215,445
Interest and fiscal agent fees	-	(41,439)
	<u>-</u>	<u>382,075</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>382,075</u>
Income (loss) before transfers	<u>(297,602)</u>	<u>3,620,354</u>
<b>Transfers</b>		
Transfers (out)	-	(2,787,088)
	<u>-</u>	<u>(2,787,088)</u>
Total transfers	<u>-</u>	<u>(2,787,088)</u>
Net change in fund balance	(297,602)	833,266
Net position - beginning as reported	(139,990)	16,119,979
Restatement - GASB 101		
Implementation	(42,261)	(117,383)
Net position - beginning as restated	<u>(182,251)</u>	<u>16,002,596</u>
Ending net position	<u>\$ (479,853)</u>	<u>\$ 16,835,862</u>