

CITY OF SCHULENBURG, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2024

CITY OF SCHULENBURG, TEXAS
ANNUAL FINANCIAL REPORT
For the year ended September 30, 2024

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

In our opinion, the 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, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

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.


Crowe LLP

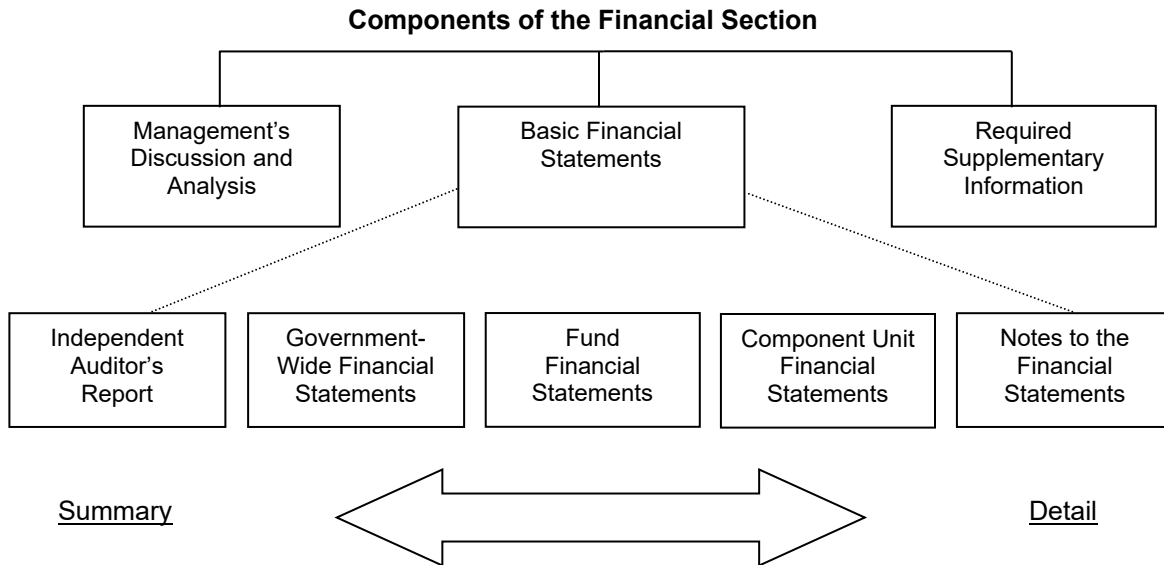
Houston, Texas
December 15, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The purpose of the Management's Discussion and Analysis ("MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the City of Schulenburg, Texas (the "City") for the year ended September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

(Continued)

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 \$22,839,842 as of year end. The largest portion of the City's net position (83%) 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.

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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	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	\$ 1,452,103	\$ 1,480,155	\$ 7,219,905	\$ 7,191,129	\$ 8,672,008	\$ 8,671,284
Capital assets, net	6,999,109	7,149,095	12,066,042	10,468,116	19,065,151	17,617,211
Total assets	<u>8,451,212</u>	<u>8,629,250</u>	<u>19,285,947</u>	<u>17,659,245</u>	<u>27,737,159</u>	<u>26,288,495</u>
DEFERRED OUTFLOWS						
ON RESOURCES						
Deferred outflow s - pensions	801,319	1,116,723	338,577	509,778	1,139,896	1,626,501
Deferred outflow s - OPEB	11,321	14,589	5,617	7,734	16,938	22,323
Total deferred outflow s on resources	<u>812,640</u>	<u>1,131,312</u>	<u>344,194</u>	<u>517,512</u>	<u>1,156,834</u>	<u>1,648,824</u>
LIABILITIES						
Long-term liabilities	2,219,028	2,463,161	1,393,149	1,468,299	3,612,177	3,931,460
Other liabilities	227,688	266,389	2,056,871	1,516,282	2,284,559	1,782,671
Total liabilities	<u>2,446,716</u>	<u>2,729,550</u>	<u>3,450,020</u>	<u>2,984,581</u>	<u>5,896,736</u>	<u>5,714,131</u>
DEFERRED INFLOWS						
ON RESOURCES						
Deferred inflow s - pensions	72,164	36,646	45,920	21,308	118,084	57,954
Deferred inflow s - OPEB	25,109	46,002	14,222	27,753	39,331	73,755
Total deferred inflow s on resources	<u>97,273</u>	<u>82,648</u>	<u>60,142</u>	<u>49,061</u>	<u>157,415</u>	<u>131,709</u>
NET POSITION						
Net investment in capital assets	6,784,668	7,053,347	12,066,042	10,011,545	18,850,710	17,064,892
Restricted	1,203,367	1,200,857	-	-	1,203,367	1,200,857
Unrestricted	(1,268,172)	(1,305,840)	4,053,937	5,131,570	2,785,765	3,825,730
Total net position	<u>\$ 6,719,863</u>	<u>\$ 6,948,364</u>	<u>\$ 16,119,979</u>	<u>\$ 15,143,115</u>	<u>\$ 22,839,842</u>	<u>\$ 22,091,479</u>

A portion of the primary government's net position, \$1,203,367, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$2,785,765, may be used to meet the City's ongoing obligation to citizens and creditors.

The overall condition of the City increased \$748,363 during the year. Total assets are \$27,737,159, an increase of \$1,448,664 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 \$5,896,736, an increase of \$182,605 compared to prior year due to the net result of a decrease in long-term liabilities of \$319,283 due primarily to a decrease in pension liability and an increase in other liabilities of \$501,888 due mainly to an increase in accounts payable from construction costs within business-type activities. Deferred outflows of resources decreased by \$491,990 compared to prior year due primarily to a decrease in deferred outflows related to the City's pension plan from the net difference between projected and actual earnings. Deferred inflows increased by \$25,706 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	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 187,807	\$ 306,024	\$ 11,700,317	\$ 12,164,598	\$ 11,888,124	\$ 12,470,622
Operating grants and contributions	144,706	961,979	346,140	-	490,846	961,979
Capital grants and contributions	299,025	-	-	34,085	299,025	34,085
General revenues						
Property taxes	743,980	686,922	-	-	743,980	686,922
Sales taxes	898,364	960,790	-	-	898,364	960,790
Hotel taxes	187,790	238,302	-	-	187,790	238,302
Franchise fees	50,553	57,519	-	-	50,553	57,519
Investment income	106,280	103,498	215,151	178,015	321,431	281,513
Other revenue	164,203	84,534	76,209	115,473	240,412	200,007
Total revenues	2,782,708	3,399,568	12,337,817	12,492,171	15,120,525	15,891,739
Expenses						
General government	967,735	828,715	-	-	967,735	828,715
Public safety	1,809,186	2,426,887	-	-	1,809,186	2,426,887
Parks, recreation, and culture	1,004,875	926,173	-	-	1,004,875	926,173
Public works	1,367,510	1,227,986	-	-	1,367,510	1,227,986
Interest and fees on long-term debt	2,873	8,822	56,553	19,118	59,426	27,940
Utilities	-	-	9,163,430	9,636,519	9,163,430	9,636,519
Total expenses	5,152,179	5,418,583	9,219,983	9,655,637	14,372,162	15,074,220
Increase (decrease) in net position before transfers	(2,369,471)	(2,019,015)	3,117,834	2,836,534	748,363	817,519
Transfers in (out)	2,140,970	2,141,815	(2,140,970)	(2,141,815)	-	-
Change in net position	(228,501)	122,800	976,864	694,719	748,363	817,519
Beginning net position	6,948,364	6,825,564	15,143,115	14,448,396	22,091,479	21,273,960
Ending net position	\$ 6,719,863	\$ 6,948,364	\$ 16,119,979	\$ 15,143,115	\$ 22,839,842	\$ 22,091,479

For the year, revenues from governmental activities totaled \$2,782,708, a decrease of \$616,860 compared to the prior year which is the net result of an increase in general revenues of \$19,605 and decrease in program revenues of \$636,465. The decrease in program revenues include a decrease in charges for services of \$118,217 due primarily to a decrease in revenue from municipal court, decrease in operating grants and contributions of \$817,273 from a decrease in operating grants related to public safety, and an increase in capital grants and contributions of \$299,025 from an increase 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 \$5,152,179, a decrease of \$266,404 compared to the prior year which is the net result of a decrease in public safety expenses of \$617,701, decrease in interest and fees on long-term debt of \$5,949 and an increase in total expenses for general government, public works, and parks, recreation, and culture of \$357,246. The decrease in public safety expenses is mainly due to a decrease in costs that were funded by operating grants for public safety in prior year and the decrease in interest and fees on long-term debt is due to a decrease in interest on notes payable. 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 \$12,337,817, a decrease of \$154,354 from prior year which is primarily due to the net result of a decrease in charges for services of \$464,281 from less customer usage of utility services and an increase in grants and contributions of \$312,055 to fund operational development. Expenses decreased by \$435,654 from the prior year mainly due to a decrease in wholesale electricity costs from less 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 \$40,190 from the prior year. The City's governmental funds reflect a combined fund balance of \$1,160,667, of which \$619,699 is restricted for industrial development, \$529,288 is restricted for enabling legislation, \$5,669 is restricted for grant activities, and \$6,011 is restrict for ballpark signs.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund had a balance of \$0. The general fund's revenue decreased by \$652,386 from the prior year mainly due to a decrease in revenues from fines and court costs of \$110,132 due to less revenue from citation fines and a decrease in intergovernmental revenue of \$518,141 from a decrease in grant revenue related to the fire departments operations. The general fund expenditures decreased by \$493,128 compared to the prior year which is primarily due to the net result of a decrease in grant expenditures for the fire department of \$792,655 and an increase in expenditures for capital outlay and repairs on damaged streets within the street department of \$118,242 along with an increase in expenditures for the general government personnel costs for office management of \$122,666.

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 \$2,372,597. The budgeted revenues exceeded the actual general fund revenues by \$148,136 during the year which is primarily due to the net result of less sales tax revenue of \$401,636 and more intergovernmental revenue of \$252,458 than expected. The budgeted general fund expenditures exceeded the actual general fund expenditures by \$227,882 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 \$2,211 which includes a transfer in from the utility fund of \$2,140,970 and budgeted other sources from note proceeds of \$149,670.

(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 \$19,065,151 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$1,447,940 from prior year which includes an increase from capital additions of \$3,049,239 and total depreciation expense of \$1,601,299.

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 \$850,971 from the purchase of vehicles and equipment. This compared to a notes payable balance in the prior year of \$552,319.

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, 2025 was approved at \$0.18793 per \$100 of assessed property value.

The projected revenue for the 2024-2025 fiscal year in the general fund is \$4,420,637. The projected expenditures for the general fund are \$7,833,902. The City plans to subsidize the general fund deficit with revenues from the utility funds. The projected revenue in the utility funds is \$13,034,723. The projected expenses for the utility funds are \$11,666,550.

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
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>SEDC</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,167,884	\$ 3,772,993	\$ 4,940,877	\$ 561,031
Investments	-	1,144,862	1,144,862	142,956
Restricted cash and cash equivalents	-	254,730	254,730	-
Receivables, net of allowances	234,920	1,379,154	1,614,074	77,230
Due from primary government	-	-	-	25,946
Internal balances	6,599	(6,599)	-	-
Inventory	-	440,853	440,853	-
Prepaid items	-	230,893	230,893	-
Other assets	-	3,019	3,019	-
Industrial loans receivable	12,626	-	12,626	74,772
Noncurrent assets				
Industrial loans receivable	30,074	-	30,074	781,747
Capital assets				
Nondepreciable capital assets	356,220	806,346	1,162,566	-
Depreciable capital assets, net	6,642,889	11,259,696	17,902,585	-
Total assets	<u>8,451,212</u>	<u>19,285,947</u>	<u>27,737,159</u>	<u>1,663,682</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions (TMRS)	564,037	338,577	902,614	-
Deferred outflows of resources - pensions (TESRS)	237,282	-	237,282	-
Deferred outflows of resources - OPEB (TMRS)	11,321	5,617	16,938	-
Total deferred outflows of resources	<u>812,640</u>	<u>344,194</u>	<u>1,156,834</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
LIABILITIES				
Current liabilities				
Accounts payable	\$ 215,871	\$ 963,452	\$ 1,179,323	\$ -
Customer deposits	-	254,730	254,730	-
Unearned revenue	11,817	722,514	734,331	-
Due to state	-	43,982	43,982	-
Due to component unit	-	25,946	25,946	-
Due to fiduciary fund	-	46,247	46,247	-
Noncurrent liabilities				
Due within one year	124,410	286,142	410,552	-
Due in more than one year	2,094,618	1,107,007	3,201,625	-
Total liabilities	<u>2,446,716</u>	<u>3,450,020</u>	<u>5,896,736</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions (TMRS)				
	70,901	45,920	116,821	-
Deferred inflows of resources - pensions (TESRS)				
	1,263	-	1,263	-
Deferred inflows of resources - OPEB (TMRS)				
	<u>25,109</u>	<u>14,222</u>	<u>39,331</u>	<u>-</u>
Total deferred inflows of resources	<u>97,273</u>	<u>60,142</u>	<u>157,415</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	6,784,668	12,066,042	18,850,710	-
Restricted for				
Economic development	-	-	-	1,663,682
Industrial development	662,399	-	662,399	-
Enabling legislation	529,288	-	529,288	-
Grant activities	5,669	-	5,669	-
Ballpark signs	6,011	-	6,011	-
Unrestricted	<u>(1,268,172)</u>	<u>4,053,937</u>	<u>2,785,765</u>	<u>-</u>
Total net position	<u>\$ 6,719,863</u>	<u>\$ 16,119,979</u>	<u>\$ 22,839,842</u>	<u>\$ 1,663,682</u>

See Notes to Financial Statements.

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

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Government Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 967,735	\$ 64,277	\$ -	\$ -	\$ (903,458)	\$ -	\$ (903,458)	\$ -
Public safety	1,809,186	108,114	129,123	-	(1,571,949)	-	(1,571,949)	-
Parks, recreation, and culture	1,004,875	11,235	15,583	299,025	(679,032)	-	(679,032)	-
Public works	1,367,510	4,181	-	-	(1,363,329)	-	(1,363,329)	-
Interest and fees on long-term debt	2,873	-	-	-	(2,873)	-	(2,873)	-
Total governmental activities	<u>5,152,179</u>	<u>187,807</u>	<u>144,706</u>	<u>299,025</u>	<u>(4,520,641)</u>	<u>-</u>	<u>(4,520,641)</u>	<u>-</u>
Business-type activities								
Utilities	9,163,430	11,700,317	346,140	-	-	2,883,027	2,883,027	-
Interest and fees on long-term debt	56,553	-	-	-	-	(56,553)	(56,553)	-
Total business-type activities	<u>9,219,983</u>	<u>11,700,317</u>	<u>346,140</u>	<u>-</u>	<u>-</u>	<u>2,826,474</u>	<u>2,826,474</u>	<u>-</u>
Total primary government	<u>\$ 14,372,162</u>	<u>\$ 11,888,124</u>	<u>\$ 490,846</u>	<u>\$ 299,025</u>	<u>(4,520,641)</u>	<u>2,826,474</u>	<u>(1,694,167)</u>	<u>-</u>
Component Units								
Economic development	\$ 386,170	\$ -	\$ -	\$ -	-	-	-	(386,170)
Total component units	<u>\$ 386,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(386,170)</u>
General revenues								
Property taxes					743,980	-	743,980	-
Sales taxes					898,364	-	898,364	449,182
Hotel taxes					187,790	-	187,790	-
Franchise fees					50,553	-	50,553	-
Investment income					106,280	215,151	321,431	28,392
Other revenues					164,203	76,209	240,412	-
Transfers					2,140,970	(2,140,970)	-	-
Total general revenues and transfers					<u>4,292,140</u>	<u>(1,849,610)</u>	<u>2,442,530</u>	<u>477,574</u>
Change in net position					(228,501)	976,864	748,363	91,404
Beginning net position					6,948,364	15,143,115	22,091,479	1,572,278
Ending net position					<u>\$ 6,719,863</u>	<u>\$ 16,119,979</u>	<u>\$ 22,839,842</u>	<u>\$ 1,663,682</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>
ASSETS			
Cash and cash equivalents	\$ 140,628	\$ 1,027,256	\$ 1,167,884
Receivables, net	176,647	58,273	234,920
Loans receivable	-	42,700	42,700
Due from other funds	-	126,963	126,963
Total assets	\$ 317,275	\$ 1,255,192	\$ 1,572,467
LIABILITIES			
Accounts payable	\$ 215,117	\$ 754	\$ 215,871
Due to other funds	63,282	57,082	120,364
Unearned revenue	11,817	-	11,817
Total liabilities	290,216	57,836	348,052
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	21,048	-	21,048
Unavailable revenue - industrial loans	-	42,700	42,700
Total deferred inflows of resources	21,048	42,700	63,748
FUND BALANCES			
Restricted			
Industrial development	-	619,699	619,699
Enabling legislation	-	529,288	529,288
Grant activities	-	5,669	5,669
Ballpark signs	6,011	-	6,011
Total fund balances	6,011	1,154,656	1,160,667
Total liabilities, deferred inflows of resources, and fund balances	\$ 317,275	\$ 1,255,192	\$ 1,572,467

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 \$ 1,160,667

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	356,220
Capital assets - depreciable	6,642,889

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

Net pension liability - TMRS	(1,199,202)
Net pension liability - TESRS	(654,934)
Total OPEB liability - TMRS	(95,669)
Deferred outflows - pensions (TMRS)	564,037
Deferred outflows - pensions (TESRS)	237,282
Deferred outflows - OPEB (TMRS)	11,321
Deferred inflows - pensions (TMRS)	(70,901)
Deferred inflows - pensions (TESRS)	(1,263)
Deferred inflows - OPEB (TMRS)	(25,109)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	63,748
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Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.

Noncurrent liabilities due in one year	(124,410)
Noncurrent liabilities due in more than one year	(144,813)

Net position of governmental activities	\$ 6,719,863
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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>
Revenues			
Property taxes	\$ 735,841	\$ -	\$ 735,841
Sales taxes	898,364	-	898,364
Hotel/motel occupancy taxes	-	187,790	187,790
Franchise fees	50,553	-	50,553
Fines and court costs	101,697	-	101,697
Licenses and permits	61,182	-	61,182
Charges for services	22,717	-	22,717
Intergovernmental	443,731	-	443,731
Interest earnings	71,919	34,361	106,280
Court technology	-	161	161
Child safety	-	1,919	1,919
Court security	-	131	131
Miscellaneous	119,776	1,727	121,503
Total revenues	<u>2,505,780</u>	<u>226,089</u>	<u>2,731,869</u>
Expenditures			
Current			
General government			
Governing body	312,855	-	312,855
Office management	652,502	-	652,502
Public safety			
Fire department	201,344	-	201,344
Police department	1,365,996	-	1,365,996
Municipal court	78,783	-	78,783
Parks, recreation, and culture			
Sports complex	151,847	-	151,847
Parks and recreation	208,964	-	208,964
Swimming pool	20,187	-	20,187
Library	317,916	-	317,916
Civic center	134,571	-	134,571
City cemetery	79,773	-	79,773
Public works			
Street department	580,541	-	580,541
Industrial development	-	43,300	43,300
Tourism	-	220,768	220,768
Blinn College	1,505	-	1,505
Capital outlay	657,997	-	657,997
Debt service			
Principal	30,977	-	30,977
Interest	2,873	-	2,873
Total expenditures	<u>4,798,631</u>	<u>264,068</u>	<u>5,062,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,292,851)</u>	<u>(37,979)</u>	<u>(2,330,830)</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>
Other financing sources (uses)			
Transfers in	\$ 2,140,970	\$ -	\$ 2,140,970
Proceeds from note	149,670	-	149,670
Total other financing sources	<u>2,290,640</u>	<u>-</u>	<u>2,290,640</u>
 Net change in fund balance	 (2,211)	 (37,979)	 (40,190)
 Beginning fund balance	 <u>8,222</u>	 <u>1,192,635</u>	 <u>1,200,857</u>
 Ending fund balance	 <u>\$ 6,011</u>	 <u>\$ 1,154,656</u>	 <u>\$ 1,160,667</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 \$ (40,190)

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	657,997
Depreciation	(807,983)

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

Deferred revenue - property tax	8,139
Deferred revenue - industrial loans	42,700

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	30,977
Debt issuance	(149,670)
Deferred outflows - pensions (TMRS)	(264,334)
Deferred outflows - pensions (TESRS)	(51,070)
Deferred outflows - OPEB (TMRS)	(3,268)
Deferred inflows - pensions (TMRS)	(37,414)
Deferred inflows - pensions (TESRS)	1,896
Deferred inflows - OPEB (TMRS)	20,893
Net pension liability (TMRS)	413,993
Net pension liability (TESRS)	(26,764)
Total OPEB liability (SDBF)	(9,442)
On-behalf revenue - TESRS	5,064
On-behalf expense - TESRS	(5,064)
Change in compensated absences	(14,961)

Change in net position of governmental activities	\$ (228,501)
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See Notes to Financial Statements.

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

	Business-Type Activities <u>Utility</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,772,993
Investments	1,144,862
Restricted cash and cash equivalents	254,730
Receivables, net	1,379,154
Inventory	440,853
Prepaid items	230,893
Other assets	3,019
Total assets	<u>7,226,504</u>
Noncurrent assets	
Capital assets	
Nondepreciable	806,346
Depreciable capital assets	31,733,877
Less: accumulated depreciation	<u>(20,474,181)</u>
Total noncurrent assets	<u>12,066,042</u>
Total assets	<u>19,292,546</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (TMRS)	338,577
Deferred outflows of resources - OPEB (TMRS)	<u>5,617</u>
Total deferred outflows of resources	<u>344,194</u>

(Continued)

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

	Business-Type Activities <u>Utility</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 963,452
Unearned revenue	722,514
Customer deposits	254,730
Due to state	43,982
Due to fiduciary	46,247
Due to other funds	6,599
Due to component unit	25,946
Total current liabilities	<u>2,063,470</u>
Noncurrent liabilities	
Long-term debt due within one year	286,142
Long-term debt due more than one year	1,107,007
Total noncurrent liabilities	<u>1,393,149</u>
Total liabilities	<u>3,456,619</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (TMRS)	45,920
Deferred inflows of resources - OPEB (TMRS)	14,222
Total deferred inflows of resources	<u>60,142</u>
 NET POSITION	
Net investment in capital assets	12,066,042
Unrestricted	4,053,937
Total net position	<u>\$ 16,119,979</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>
Operating revenues	
Charges for services	\$ 11,590,816
Penalties and interest	109,351
Licenses and permits	150
Other revenue	76,209
Total operating revenues	<u>11,776,526</u>
Operating expenses	
Payroll costs	1,457,310
Professional services	349,378
Contracted services	4,725,626
Supplies and materials	838,566
Recurring operating expense	988,677
Depreciation expense	793,316
Miscellaneous expense	10,557
Total operating expenses	<u>9,163,430</u>
Operating income	<u>2,613,096</u>
Nonoperating revenues (expenses)	
Investment income	215,151
Intergovernmental	346,140
Interest and fiscal charges	(56,553)
Total nonoperating revenues	<u>504,738</u>
Income before transfers	3,117,834
Transfers	
Transfers (out)	<u>(2,140,970)</u>
Total transfers	<u>(2,140,970)</u>
Change in net position	976,864
Beginning net position	15,143,115
Ending Net Position	<u><u>\$ 16,119,979</u></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>
Cash flows from operating activities	
Receipts from customers and users	\$ 11,970,554
Payments to employees	(1,528,020)
Payments to suppliers	(6,384,236)
Net cash provided by operating activities	<u>4,058,298</u>
Cash flows from noncapital financing activities	
Intergovernmental	346,140
Transfer to other funds	(2,140,970)
Net cash (used) by noncapital financing activities	<u>(1,794,830)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,391,242)
Proceeds from notes payable	362,495
Principal paid on capital debt	(182,536)
Interest and fiscal agent fees paid	(56,553)
Net cash (used) by capital and related financing activities	<u>(2,267,836)</u>
Cash flows from investing activities	
Interest on investments	<u>215,151</u>
Net cash provided by investing activities	<u>215,151</u>
Net Increase in cash and cash equivalents	210,783
Beginning cash and cash equivalents	<u>3,816,940</u>
Ending cash and cash equivalents	<u>\$ 4,027,723</u>
Ending cash and cash equivalents	
Unrestricted cash and cash equivalents	\$ 3,772,993
Restricted cash and cash equivalents	254,730
	<u>\$ 4,027,723</u>

(Continued)

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

	Business-Type Activities <u>Utility</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,613,096
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	793,316
Changes in operating assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	182,007
Deferred outflows of resources - pensions (TMRS)	171,201
Deferred outflows of resources - OPEB (TMRS)	2,117
Increase (decrease) in liabilities	
Customer deposits	12,021
Deferred inflows of resources - pensions (TMRS)	24,612
Deferred inflows of resources - OPEB (TMRS)	(13,531)
Accounts payable and accrued liabilities	515,426
Compensated absences	6,907
Net pension liability - TMRS	(268,131)
Total OPEB liability - TMRS	6,115
Due to state	13,142
Net cash provided by operating activities	<u>\$ 4,058,298</u>

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>
ASSETS				
Cash and cash equivalents	\$ 298	\$ 474,451	\$ 285,422	\$ 760,171
Investments	23,284	-	-	23,284
Accounts receivable	-	3,136	-	3,136
Due from other units	-	42,266	3,981	46,247
Total assets	23,582	519,853	289,403	832,838
NET POSITION				
Held in trust	23,582	519,853	289,403	832,838
Total net position	\$ 23,582	\$ 519,853	\$ 289,403	\$ 832,838

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>
Additions				
Public donations	\$ -	\$ 25,776	\$ 60	\$ 25,836
Interest earned	15	7,777	612	8,404
Total additions	<u>15</u>	<u>33,553</u>	<u>672</u>	<u>34,240</u>
 Change in net position	 15	 33,553	 672	 34,240
 Beginning net position	 <u>23,567</u>	 <u>486,300</u>	 <u>288,731</u>	 <u>798,598</u>
 Ending Net Position	 <u>\$ 23,582</u>	 <u>\$ 519,853</u>	 <u>\$ 289,403</u>	 <u>\$ 832,838</u>

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)

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.

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	
Office management	\$ 125,227
Public safety	
Fire department	\$ 15,794
Parks, recreation, and culture	
Parks and recreation	\$ 89,689
Public works	
Street department	\$ 62,175

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.

Cash and cash equivalents include the cash held in bank accounts. As of September 30, 2024, the cash held in bank accounts was \$2,317,945. The primary governments cash held in bank accounts was \$1,174,246 with \$254,730 being restricted. The cash held in bank accounts for the fiduciary fund was \$582,668 and for the discrete component unit was \$561,031. The cash on hand held in bank accounts as of September 30, 2024, and during the year ended September 30, 2024, were covered by FDIC insurance or by pledged collateral held by the agent bank in the City's and discrete component units name.

(Continued)

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

As of September 30, 2024, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 4,198,864	0.08
Certificates of deposit	1,311,102	0.78
Total value	\$ 5,509,966	
Portfolio weighted average maturity		0.25

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, 2024, 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.

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)

Receivables: The following comprise receivable balances at year end for governmental activities:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Enterprise</u>	<u>Total Funds</u>
Property taxes	\$ 22,156	\$ -	\$ -	\$ 22,156
Sales taxes	154,460	-	-	154,460
Hotel taxes	-	58,273	-	58,273
Other taxes	1,139	-	-	1,139
Utilities	-	-	1,596,223	1,596,223
Allowance	<u>(1,108)</u>	<u>-</u>	<u>(217,069)</u>	<u>(218,177)</u>
Total	<u><u>\$ 176,647</u></u>	<u><u>\$ 58,273</u></u>	<u><u>\$ 1,379,154</u></u>	<u><u>\$ 1,614,074</u></u>

Long-Term Receivables: Loans receivable (the "Loans") of \$42,700 for the City and \$856,519 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>September 30,</u>	<u>Governmental Activities Long- Term Receivable</u>		<u>Component Unit Long-Term Term Receivable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 12,626	\$ 1,292	\$ 74,772	\$ 28,413
2026	13,075	844	44,843	25,830
2027	13,540	379	46,335	24,338
2028	3,459	20	47,878	22,795
2029	-	-	363,375	7,907
2030-2034	-	-	98,566	39,761
2035-2039	-	-	98,377	23,416
2040-2044	<u>-</u>	<u>-</u>	<u>82,373</u>	<u>5,488</u>
Total	<u><u>\$ 42,700</u></u>	<u><u>\$ 2,535</u></u>	<u><u>\$ 856,519</u></u>	<u><u>\$ 177,948</u></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	509,804	-	(509,804)	-
Total capital assets not being depreciated	866,024	-	(509,804)	356,220
Other capital assets not being depreciated/amortized				
Buildings	6,770,856	814,513	-	7,585,369
Machinery and equipment	1,211,245	38,881	(8,651)	1,241,475
Vehicles	2,734,185	314,407	(50,233)	2,998,359
Infrastructure	13,256,557	-	-	13,256,557
Total other capital assets	23,972,843	1,167,801	(58,884)	25,081,760
Less accumulated depreciation/amortization for				
Buildings	(4,365,808)	(174,141)	-	(4,539,949)
Machinery and equipment	(753,729)	(85,080)	8,651	(830,158)
Vehicles	(2,419,974)	(103,586)	50,233	(2,473,327)
Infrastructure	(10,150,261)	(445,176)	-	(10,595,437)
Total accumulated depreciation/amortization	(17,689,772)	(807,983)	58,884	(18,438,871)
Other capital assets, net	6,283,071	359,818	-	6,642,889
Governmental activities capital assets, net	\$ 7,149,095	\$ 359,818	\$ (509,804)	6,999,109
			Less associated debt	(214,441)
			Net investment in capital assets	\$ 6,784,668

Depreciation was charged to governmental functions as follows:

<u>Governmental Activities</u>	
General government	\$ 25,489
Public safety	135,050
Parks, recreation, and culture	113,403
Public works	534,041
Total governmental activities depreciation expense	\$ 807,983

(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 business-type activities for the year end:

	Business - Type			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Business-type activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 205,953	\$ -	\$ -	\$ 205,953
Construction in progress	515,728	923,241	(838,576)	600,393
Total capital assets not being depreciated	721,681	923,241	(838,576)	806,346
Other capital assets not being depreciated/amortized				
Buildings	1,067,746	-	-	1,067,746
Machinery and equipment	3,716,848	453,234	-	4,170,082
Furnitures and fixtures	133,819	-	-	133,819
Utility system	24,508,887	1,853,343	-	26,362,230
Total other capital assets	29,427,300	2,306,577	-	31,733,877
Less accumulated depreciation/amortization for				
Buildings	(756,199)	(26,265)	-	(782,464)
Machinery and equipment	(2,816,597)	(175,152)	-	(2,991,749)
Furniture and fixtures	(133,819)	-	-	(133,819)
Utility system	(15,974,250)	(591,899)	-	(16,566,149)
Total accumulated depreciation/amortization	(19,680,865)	(793,316)	-	(20,474,181)
Other capital assets, net	9,746,435	1,513,261	-	11,259,696
Business-type activities capital assets, net	\$ 10,468,116	\$ 2,436,502	\$ (838,576)	12,066,042
			Less associated debt	(636,530)
			Net investment in capital asse	\$ 12,066,042

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

Electric	\$ 147,988
Water	327,775
Sewer	216,908
Warehouse	15,873
Garbage	84,772
Total business-type activities depreciation expense	\$ 793,316

(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	\$ (1,217,380)	\$ (71,610)	\$ -	\$ (1,288,990)
Component unit capital assets, net	<u>\$ 71,610</u>	<u>\$ (71,610)</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>
US 77 Waterline Improvements	\$ 1,069,956	\$ 600,393	\$ 469,563

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>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings/private placement					
Note payable	\$ 95,748	\$ 149,670	\$ (30,977)	\$ 214,441	* \$ 68,680
Other liabilities					
Compensated absences	39,821	107,854	(92,893)	54,782	49,304
Net pension liability - TMRS	1,613,195	-	(413,993)	1,199,202	-
Net pension liability - TESRS	628,170	26,764	-	654,934	-
Total OPEB liability - TMRS	<u>86,227</u>	<u>9,442</u>	<u>-</u>	<u>95,669</u>	<u>6,426</u>
Total governmental activities	<u>\$ 2,463,161</u>	<u>\$ 293,730</u>	<u>\$ (537,863)</u>	<u>\$ 2,219,028</u>	<u>\$ 124,410</u>
Long-term debt due in more than one year				<u>\$ 2,094,618</u>	
*Debt associated with governmental activities capital assets				<u>\$ 214,441</u>	

(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	\$ 456,571	\$ 362,495	\$ (182,536)	\$ 636,530 **	\$ 261,765
Other liabilities					
Compensated absences	16,507	38,420	(31,513)	23,414	21,073
Net pension liability - TMRS	953,663	-	(268,131)	685,532	-
Total OPEB liability - TMRS	<u>41,558</u>	<u>6,115</u>	<u>-</u>	<u>47,673</u>	<u>3,304</u>
 Total business-type activities	 <u>\$ 1,468,299</u>	 <u>\$ 407,030</u>	 <u>\$ (482,180)</u>	 <u>\$ 1,393,149</u>	 <u>\$ 286,142</u>
				<u>\$ 1,107,007</u>	
				<u>\$ 636,530</u>	

**Debt associated with business-type activities capital assets \$ 636,530

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>
2025	\$ 68,680	\$ 11,078	\$ 79,758
2026	71,893	7,865	79,758
2027	41,425	4,485	45,910
2028	<u>32,443</u>	<u>1,943</u>	<u>34,386</u>
	<u>\$ 214,441</u>	<u>\$ 25,371</u>	<u>\$ 239,812</u>
Fiscal Year Ended <u>September 30,</u>	<u>Business-Type Activities</u>		
	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 261,765	\$ 37,303	\$ 299,068
2026	154,630	22,403	177,033
2027	77,720	13,225	90,945
2028	69,141	8,509	77,650
2029	<u>73,274</u>	<u>4,378</u>	<u>77,652</u>
	<u>\$ 636,530</u>	<u>\$ 85,818</u>	<u>\$ 722,348</u>

(Continued)

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental Activities		
Notes payable		
Police Vehicles	3.000%	\$ 119,181
Street Sweeper	3.000%	64,771
2024 Ford Super Duty	6.550%	<u>30,489</u>
Total governmental activities long-term debt		<u>\$ 214,441</u>
Business-Type Activities		
Notes payable		
Tractor Trailer	5.817%	\$ 158,236
Sanitation Truck	5.980%	327,320
2024 Ford Super Duty	6.550%	35,175
Water Meter System	5.386%	<u>115,799</u>
Total business-type activities notes payable		<u>\$ 636,530</u>

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

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Nonmajor government	General	\$ 63,282
Nonmajor government	Nonmajor government	57,082
Nonmajor government	Utility	6,599
Fire protection trust	Utility	42,266
Cemetary trust	Utility	<u>3,981</u>
		<u>\$ 173,210</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>\$ 2,140,970</u>

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

(Continued)

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.

Pension Plan:

Texas Municipal Retirement System

Plan Description: The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

Benefits Provided: TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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 benefit 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.

(Continued)

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

NOTE 4 - OTHER INFORMATION (Continued)

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:

	2024	2023
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms: At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to, but not yet receiving, benefits	38
Active employees	40
Total	112

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 17.93% and 18.98% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$484,346, which were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 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

(Continued)

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

NOTE 4 - OTHER INFORMATION (Continued)

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 MP2021 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 the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined 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 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 public equity	35%	6.7%
Core fixed income	6%	4.7%
Non-core fixed income	20%	8.0%
Other public and private markets	12%	8.0%
Real estate	12%	7.6%
Hedge funds	5%	6.4%
Private equity	<u>10%</u>	11.6%
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, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

(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	\$ 398,529	\$ -	\$ 398,529
Interest	1,085,424	-	1,085,424
Difference between expected and actual experience	167,346	-	167,346
Change in assumptions	(176,168)	-	(176,168)
Contributions - employer	-	416,168	(416,168)
Contributions - employee	-	162,475	(162,475)
Net investment income	-	1,588,803	(1,588,803)
Benefit payments, including refunds of employee contributions	(861,013)	(861,013)	-
Administrative expense	-	(10,120)	10,120
Other changes	-	(71)	71
Net Changes	614,118	1,296,242	(682,124)
Balance at December 31, 2022	16,311,600	13,744,742	2,566,858
Balance at December 31, 2023	<u>\$ 16,925,718</u>	<u>\$ 15,040,984</u>	<u>\$ 1,884,734</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>\$ 4,038,511</u>	<u>\$ 1,884,734</u>	<u>\$ 108,173</u>

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

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2024, the City recognized net pension expense of \$299,784.

(Continued)

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

NOTE 4 - OTHER INFORMATION (Continued)

At September 30, 2024, 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	\$ 153,368	\$ (779)
Changes in actuarial assumptions	-	(116,042)
Difference between projected and actual investment earnings	381,109	-
Contributions subsequent to the measurement date	<u>368,137</u>	<u>-</u>
 Total	 <u>\$ 902,614</u>	 <u>\$ (116,821)</u>

\$368,137 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, 2025.

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>
2025	\$ 138,963
2026	118,499
2027	292,398
2028	<u>(132,204)</u>
 Total	 <u>\$ 417,656</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 the Texas Emergency Services Retirement System (TESRS) and established and administered by the State (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2023, there were 241 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, 2023, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,929
Terminated members entitled to benefits but not yet receiving them	1,689
Active participants (vested and nonvested)	<u>3,343</u>
 Total	 <u>8,961</u>

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

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

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

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

Funding Policy: Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

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

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted near the end of each even-numbered calendar based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2022, the Part Two contributions are not required for an adequate contribution arrangement.

(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 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, 2023, the money-weighted rate of return on pension plan investments was 5.68%. 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 measurement year ending August 31, 2023, total contributions (dues, prior service, and interest on prior service financing) of \$31,770 were paid by the City. The State appropriated \$1,262,763 for the measurement year ending August 31, 2023 to the plan as a whole.

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

Actuarial valuation date	August 31, 2022
Actuarial cost method	Entry age
Amortization method	Level dollar, open
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*	7.50%
Projected salary increases	N/A
* Includes inflation at	3.00%
Cost-of-living adjustments	None

Mortality rates were based on the SubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.61%) and by adding expected inflation (3.00%). In addition, the final 7.50 percent assumption was selected by rounding down.

(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%	5.83%
Small/mid cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
Multi-asset income	5%	3.86%
Real estate	10%	4.48%
Fixed income	<u>30%</u>	1.95%
Total	<u>100%</u>	
Weighted Average		4.61%

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 1,014,114</u>	<u>\$ 654,934</u>	<u>\$ (363,601)</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 of Resources Related to Pensions: At September 30, 2024, the City reported a liability of \$654,934 for its proportionate share of the plan's net pension liability. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$ 654,934
*State's proportionate share that is associated with the City	<u>173,582</u>
	<u>\$ 828,516</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, 2022, which was rolled forward to a measurement date of August 31, 2023. GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report an NPL measured as of August 31, 2023. The City used the assumption that any differences in the NPL measured as of August 31, 2023 versus September 30, 2023 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to TESRS relative to the contributions of all employers to TESRS for the period September 1, 2022 through August 31, 2023.

At September 30, 2024, the City's proportion of the collective NPL was 1.513%, which was a decrease of 0.018% from its proportion measured as of September 30, 2023.

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

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

For the measurement year ended August 31, 2023, the City recognized pension expense of \$154,968. The City recognized on-behalf revenues of \$5,064 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

(Continued)

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

NOTE 4 - OTHER INFORMATION (Continued)

At September 30, 2024, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 195,947	\$ -
Changes in assumptions	-	(1,263)
Difference between expected and actual experience	9,565	-
Contributions paid to TESRS subsequent to the measurement date	<u>31,770</u>	<u>-</u>
Total	<u>\$ 237,282</u>	<u>\$ (1,263)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date in the amount of \$31,770 will be recognized as a reduction to the net pension liability for the year ended September 30, 2025.

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

<u>Fiscal Year Ended September 30,</u>	<u>Pension Expense</u>
2025	\$ 51,376
2026	53,346
2027	92,832
2028	<u>6,695</u>
Total	<u>\$ 204,249</u>

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, 2023 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to, but not yet receiving, benefits	8
Active employees	<u>40</u>
Total	<u><u>71</u></u>

Total OPEB Liability: The City's total OPEB liability of \$143,342 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

(Continued)

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, 2023 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*	3.77%
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 intermediate 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 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with intermediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 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	\$ 5,338
Interest	5,208
Changes of assumptions	7,161
Difference between expected and actual experience	1,564
Benefit payments*	(3,714)
Net changes	15,557
Balance at December 31, 2022	127,785
Balance at December 31, 2023	\$ 143,342

*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 decreased from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

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

	<u>1% Decrease in Discount Rate (2.77%)</u>	<u>Discount Rate (3.77%)</u>	<u>1% Increase in Discount Rate (4.77%)</u>
City's total OPEB liability	\$ 170,526	\$ 143,342	\$ 121,986

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2024, the City recognized OPEB income of \$9,730. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,226	\$ (4,721)
Changes in actuarial assumptions	12,997	(34,610)
Contributions subsequent to the measurement date	<u>2,715</u>	<u>-</u>
Total	<u>\$ 16,938</u>	<u>\$ (39,331)</u>

\$2,715 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, 2025.

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>
2025	\$ (10,397)
2026	(12,591)
2027	(3,050)
2028	<u>930</u>
Total	<u>\$ (25,108)</u>

(Continued)

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

NOTE 4 - OTHER INFORMATION (Continued)

Subsequent Event: On October 3, 2024, the City issued its Limited Tax Note, Series 2024, in the principal amount of \$1,334,000 to finance renovations to the City's Civic Center and pay related issuance costs. The Note is a tax-exempt, bank-qualified obligation bearing interest at 4.21%, with semiannual interest payments beginning April 1, 2025, and annual principal payments commencing October 1, 2025, through final maturity on October 1, 2031.

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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 664,375	\$ 664,375	\$ 735,841	\$ 71,466
Sales taxes	1,300,000	1,300,000	898,364	(401,636)
Franchise fees	65,000	65,000	50,553	(14,447)
Fines and court costs	175,030	175,030	101,697	(73,333)
Licenses and permits	60,000	60,000	61,182	1,182
Charges for services	5,700	5,700	22,717	17,017
Intergovernmental	191,273	191,273	443,731	252,458
Investment earnings	62,000	62,000	71,919	9,919
Miscellaneous	130,538	130,538	119,776	(10,762)
Total revenues	<u>2,653,916</u>	<u>2,653,916</u>	<u>2,505,780</u>	<u>(148,136)</u>
Expenditures				
Current				
General government				
Governing body	336,652	336,652	312,855	23,797
Office management	527,275	527,275	652,502	(125,227) *
Public safety				
Fire department	185,550	185,550	201,344	(15,794) *
Police department	1,567,723	1,567,723	1,365,996	201,727
Municipal court	82,950	82,950	78,783	4,167
Parks and recreation				
Sports complex	347,700	356,300	151,847	204,453
Parks and recreation	119,275	119,275	208,964	(89,689) *
Swimming pool	15,100	21,100	20,187	913
Library	307,920	317,920	317,916	4
Civic center	230,755	206,155	134,571	71,584
City cemetery	93,600	93,600	79,773	13,827
Public works				
Street department	518,366	518,366	580,541	(62,175) *
Blinn College	1,800	1,800	1,505	295
Capital outlay	657,997	657,997	657,997	-
Debt service				
Principal	30,977	30,977	30,977	-
Interest	2,873	2,873	2,873	-
Total expenditures	<u>5,026,513</u>	<u>5,026,513</u>	<u>4,798,631</u>	<u>227,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,372,597)</u>	<u>(2,372,597)</u>	<u>(2,292,851)</u>	<u>79,746</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, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ 2,140,970	\$ 2,140,970
Proceeds from note	<u>149,670</u>	<u>149,670</u>	<u>149,670</u>	<u>-</u>
Total other financing sources	<u>149,670</u>	<u>149,670</u>	<u>2,290,640</u>	<u>2,140,970</u>
Net change in fund balance	<u>\$ (2,222,927)</u>	<u>\$ (2,222,927)</u>	(2,211)	<u>\$ 2,220,716</u>
Beginning fund balance			<u>8,222</u>	
Ending fund balance			<u>\$ 6,011</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, 2024

	Measurement Year									
	<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>	<u>2014</u>
Total pension liability										
Service cost	\$ 398,529	\$ 365,448	\$ 328,693	\$ 323,435	\$ 322,030	\$ 301,501	\$ 288,289	\$ 280,316	\$ 252,168	\$ 263,056
Interest (on the total pension liability)	1,085,424	1,036,622	1,001,493	988,431	957,010	928,211	901,737	854,698	858,360	820,921
Difference between expected and actual experience	167,346	148,349	(5,189)	(274,576)	(71,786)	(61,600)	(148,001)	202,611	(127,647)	115,917
Change of assumptions	(176,168)	-	-	-	86,737	-	-	-	80,798	-
Benefit payments, including refunds of employee contributions	(861,013)	(826,906)	(818,993)	(873,826)	(784,559)	(718,886)	(593,978)	(695,503)	(660,166)	(659,072)
Net change in total pension liability	614,118	723,513	506,004	163,464	509,432	449,226	448,047	642,122	403,513	540,822
Beginning total pension liability	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	11,925,457
Ending total pension liability	<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>	<u>\$ 12,466,279</u>
Plan fiduciary net position										
Contributions - employer	\$ 416,168	\$ 403,118	\$ 405,867	\$ 420,935	\$ 407,625	\$ 395,138	\$ 385,296	\$ 355,711	\$ 312,551	\$ 354,508
Contributions - employee	162,475	151,548	139,954	137,049	133,149	125,327	119,551	117,696	104,883	117,852
Net investment income	1,588,803	(1,102,594)	1,775,145	983,386	1,769,297	(359,796)	1,474,004	687,867	15,370	574,088
Benefit payments, including refunds of employee contributions	(861,013)	(826,906)	(818,993)	(873,826)	(784,559)	(718,886)	(593,978)	(695,503)	(660,166)	(659,072)
Administrative expense	(10,120)	(9,549)	(8,218)	(6,367)	(10,000)	(6,955)	(7,640)	(7,769)	(9,362)	(5,994)
Other	(71)	11,396	57	(248)	(301)	(363)	(387)	(419)	(463)	(493)
Net change in plan fiduciary net position	1,296,242	(1,372,987)	1,493,812	660,929	1,515,211	(565,535)	1,376,846	457,583	(237,187)	380,889
Beginning plan fiduciary net position	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	10,035,181
Ending plan fiduciary net position	<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>	<u>\$ 10,416,070</u>
Net pension liability	<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>	<u>\$ 2,050,209</u>
Plan fiduciary net position as a percentage of total pension liability	88.86%	84.26%	96.98%	90.33%	86.89%	79.45%	86.06%	78.72%	79.09%	83.55%
Covered payroll	\$ 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	\$ 1,683,601
Net pension liability as a percentage of covered payroll	81.20%	118.56%	23.53%	74.48%	102.81%	165.41%	113.98%	174.49%	179.59%	121.78%

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, 2024

	Measurement Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	1.513%	1.531%	0.718%	1.060%	1.264%	1.049%	1.670%	1.678%	1.611%	1.544%
City's proportionate share of the net pension liability	\$ 654,934	\$ 628,170	\$ 76,928	\$ 267,235	\$ 358,288	\$ 227,113	\$ 400,828	\$ 488,653	\$ 430,091	\$ 280,801
State's proportionate share of the net pension liability	<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>	<u>94,864</u>
Total	<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>	<u>\$ 375,665</u>
Number of active members*	33	34	34	34	35	35	31	31	34	31
City's net pension liability per active member	\$ 19,846	\$ 18,476	\$ 2,263	\$ 7,860	\$ 10,237	\$ 6,489	\$ 12,930	\$ 15,665	\$ 12,650	\$ 9,058
Plan fiduciary net position as a percentage of the total pension liability	74.60%	75.20%	93.10%	83.20%	80.20%	84.26%	81.40%	76.30%	76.90%	83.50%

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

Notes to Required Supplementary Information:

1. Changes in benefit terms: There were no changes of benefit terms that affected measurement of the total pension liability (TPL) during the measurement period.
2. Changes in assumptions: There were no changes in assumptions or other inputs that affected measurement of the TPL during the measurement period.

CITY OF SCHULENBURG, TEXAS
SCHEDULE OF CONTRIBUTIONS -
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the year ended September 30, 2024

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 484,346	\$ 414,482	\$ 402,811	\$ 404,284	\$ 407,999	\$ 405,386	\$ 388,897	\$ 380,247	\$ 351,092	\$ 323,632
Contributions in relation to the actuarially determined contribution	<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>	<u>323,632</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	\$ 2,587,731	\$ 2,288,001	\$ 2,112,560	\$ 1,960,581	\$ 1,899,184	\$ 1,878,490	\$ 1,753,130	\$ 1,707,709	\$ 1,655,659	\$ 1,535,066
Contributions as a percentage of covered payroll	18.72%	18.12%	19.07%	20.62%	21.48%	21.58%	22.18%	22.27%	21.21%	21.08%

Notes to Required Supplementary Information:

- Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
- Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	10 year smoothed market; 12% 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).

- 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, 2024

	Fiscal 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>
Contractually required contribution	\$ 31,770	\$ 32,870	\$ 36,328	\$ 35,880	\$ 50,883	\$ 64,534	\$ 69,688	\$ 70,100	\$ 70,000	\$ 76,109
Contributions in relation to the contractually required contribution	<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>	<u>76,109</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**	35	33	33	34	35	35	35	31	31	34
Contributions per active member	\$ 908	\$ 993	\$ 1,101	\$ 1,055	\$ 1,454	\$ 1,844	\$ 1,991	\$ 2,261	\$ 2,258	\$ 2,239

*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 (TMRS)
For the year ended September 30, 2024

	Measurement Year*						
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability							
Service cost	\$ 5,338	\$ 10,175	\$ 8,797	\$ 7,048	\$ 5,516	\$ 5,371	\$ 4,440
Interest (on the total pension liability)	5,208	3,497	3,483	4,147	7,390	4,524	4,491
Difference between expected and actual experience	1,564	(4,968)	35	(8,982)	(83,670)	62,744	-
Changes of assumptions	7,161	(64,575)	5,772	22,544	23,265	(8,795)	9,867
Benefit payments**	(3,714)	(2,598)	(3,199)	(1,370)	(1,631)	(1,432)	(1,366)
Net change in total OPEB liability	<u>15,557</u>	<u>(58,469)</u>	<u>14,888</u>	<u>23,387</u>	<u>(49,130)</u>	<u>62,412</u>	<u>17,432</u>
Beginning total OPEB liability	<u>127,785</u>	<u>186,254</u>	<u>171,366</u>	<u>147,979</u>	<u>197,109</u>	<u>134,697</u>	<u>117,265</u>
Ending total OPEB liability	<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	\$ 2,321,075	\$ 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	6.18%	5.90%	9.32%	8.75%	7.78%	11.01%	7.89%

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

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

(Continued)

CITY OF SCHULENBURG, TEXAS
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS -
 TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
 For the year ended September 30, 2024

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	3.77%
Administrative expenses	All administrative expenses are paid through the Pension Trust 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 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale 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 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, 2023. The actuarial assumptions used in December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022. There were no benefit changes during the year.

COMBINING STATEMENTS

CITY OF SCHULENBURG, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2024

	Industrial Development <u>Escrow</u>	Hotel/Motel Occupancy <u>Tax</u>	<u>Grant</u>	Court <u>Technology</u>
ASSETS				
Cash and cash equivalents	\$ 665,677	\$ 350,562	\$ 5,669	\$ 4,505
Receivables, net	-	58,273	-	-
Loans receivable	42,700	-	-	-
Due from other funds	6,599	-	-	40,558
Total assets	<u>\$ 714,976</u>	<u>\$ 408,835</u>	<u>\$ 5,669</u>	<u>\$ 45,063</u>
LIABILITIES				
Accounts payable	\$ -	\$ 754	\$ -	\$ -
Due to other funds	52,577	-	-	4,505
Total liabilities	<u>52,577</u>	<u>754</u>	<u>-</u>	<u>4,505</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - industrial loans	42,700	-	-	-
Total deferred inflows of resources	<u>42,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for				
Industrial development	619,699	-	-	-
Enabling legislation	-	408,081	-	40,558
Grant activities	-	-	5,669	-
Total fund balances	<u>619,699</u>	<u>408,081</u>	<u>5,669</u>	<u>40,558</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 714,976</u>	<u>\$ 408,835</u>	<u>\$ 5,669</u>	<u>\$ 45,063</u>

(Continued)

CITY OF SCHULENBURG, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2024

	<u>Child Safety</u>	<u>Court Security</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 843	\$ -	\$ 1,027,256
Receivables, net	-	-	58,273
Loans receivable	-	-	42,700
Due from other funds	<u>52,986</u>	<u>26,820</u>	<u>126,963</u>
Total assets	<u>\$ 53,829</u>	<u>\$ 26,820</u>	<u>\$ 1,255,192</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 754
Due to other funds	<u>-</u>	<u>-</u>	<u>57,082</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>57,836</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - industrial loans	<u>-</u>	<u>-</u>	<u>42,700</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>42,700</u>
FUND BALANCES			
Restricted for			
Industrial development	-	-	619,699
Enabling legislation	53,829	26,820	529,288
Grant activities	<u>-</u>	<u>-</u>	<u>5,669</u>
Total fund balances	<u>53,829</u>	<u>26,820</u>	<u>1,154,656</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 53,829</u>	<u>\$ 26,820</u>	<u>\$ 1,255,192</u>

CITY OF SCHULENBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2024

	<u>Industrial Development Escrow</u>	<u>Hotel/Motel Occupancy Tax</u>	<u>Grant</u>	<u>Court Technology</u>
Revenues				
Hotel occupancy tax	\$ -	\$ 187,790	\$ -	\$ -
Grant revenue	-	-	-	-
Interest earnings	34,361	-	-	-
Court technology	-	-	-	161
Child safety	-	-	-	-
Court security	-	-	-	-
Miscellaneous	1,727	-	-	-
Total revenues	36,088	187,790	-	161
Expenditures				
Public works				
Industrial development	43,300	-	-	-
Tourism	-	220,768	-	-
Total expenditures	43,300	220,768	-	-
Net change in fund balance	(7,212)	(32,978)	-	161
Beginning fund balance	626,911	441,059	5,669	40,397
Ending fund balance	\$ 619,699	\$ 408,081	\$ 5,669	\$ 40,558

(Continued)

CITY OF SCHULENBURG, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2024

	<u>Child Safety</u>	<u>Court Security</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Hotel occupancy tax	\$ -	\$ -	\$ 187,790
Grant revenue	-	-	-
Interest earnings	-	-	34,361
Court technology	-	-	161
Child safety	1,919	-	1,919
Court security	-	131	131
Miscellaneous	-	-	1,727
Total revenues	<u>1,919</u>	<u>131</u>	<u>226,089</u>
Expenditures			
Public works			
Industrial development	-	-	43,300
Tourism	-	-	220,768
Total expenditures	<u>-</u>	<u>-</u>	<u>264,068</u>
Net change in fund balance	1,919	131	(37,979)
Beginning fund balance	<u>51,910</u>	<u>26,689</u>	<u>1,192,635</u>
Ending fund balance	<u>\$ 53,829</u>	<u>\$ 26,820</u>	<u>\$ 1,154,656</u>

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, 2024

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>
Operating revenues				
Charges for services	\$ 8,482,533	\$ 888,382	\$ 795,766	\$ 1,424,135
Penalties and interest	66,330	21,604	11,387	10,030
Licenses and permits	-	150	-	-
Other revenue	73,859	1,467	-	883
Total revenues	<u>8,622,722</u>	<u>911,603</u>	<u>807,153</u>	<u>1,435,048</u>
Operating expenses				
Payroll costs	303,419	319,970	260,049	437,086
Professional services	74,071	260,545	14,498	264
Contracted services	4,395,156	108,194	178,693	36,096
Supplies and materials	175,782	113,279	358,421	152,201
Recurring operating expense	107,546	91,456	296,926	461,036
Depreciation expense	147,988	327,775	216,908	84,772
Miscellaneous expense	10,557	-	-	-
Total expenses	<u>5,214,519</u>	<u>1,221,219</u>	<u>1,325,495</u>	<u>1,171,455</u>
Operating income (loss)	<u>3,408,203</u>	<u>(309,616)</u>	<u>(518,342)</u>	<u>263,593</u>
Nonoperating revenues (expenses)				
Investment income	205,404	-	-	9,747
Intergovernmental	-	346,140	-	-
Interest and fiscal agent fees	(30,968)	-	(25,585)	-
Total nonoperating revenues (expenses)	<u>174,436</u>	<u>346,140</u>	<u>(25,585)</u>	<u>9,747</u>
Income (loss) before transfers	<u>3,582,639</u>	<u>36,524</u>	<u>(543,927)</u>	<u>273,340</u>
Transfers				
Transfers (out)	(2,140,970)	-	-	-
Total transfers	<u>(2,140,970)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,441,669	36,524	(543,927)	273,340
Beginning fund balance	<u>21,641,758</u>	<u>1,785,995</u>	<u>(9,859,909)</u>	<u>1,484,519</u>
Ending fund balance	<u>\$ 23,083,427</u>	<u>\$ 1,822,519</u>	<u>\$ (10,403,836)</u>	<u>\$ 1,757,859</u>

(Continued)

CITY OF SCHULENBURG, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2024

	<u>Warehouse Department</u>	<u>Total Utility Sub-Funds</u>
Operating revenues		
Charges for services	\$ -	\$ 11,590,816
Penalties and interest	-	109,351
Licenses and permits	-	150
Other revenue	-	76,209
	-	11,776,526
Total revenues	-	11,776,526
Operating expenses		
Payroll costs	136,786	1,457,310
Professional services	-	349,378
Contracted services	7,487	4,725,626
Supplies and materials	38,883	838,566
Recurring operating expense	31,713	988,677
Depreciation expense	15,873	793,316
Miscellaneous expense	-	10,557
	230,742	9,163,430
Total expenses	230,742	9,163,430
Operating income (loss)	(230,742)	2,613,096
Nonoperating revenues (expenses)		
Investment income	-	215,151
Intergovernmental	-	346,140
Interest and fiscal agent fees	-	(56,553)
	-	504,738
Total nonoperating revenues (expenses)	-	504,738
Income (loss) before transfers	(230,742)	3,117,834
Transfers		
Transfers (out)	-	(2,140,970)
Total transfers	-	(2,140,970)
Net change in fund balance	(230,742)	976,864
Beginning fund balance	90,752	15,143,115
Ending fund balance	\$ (139,990)	\$ 16,119,979